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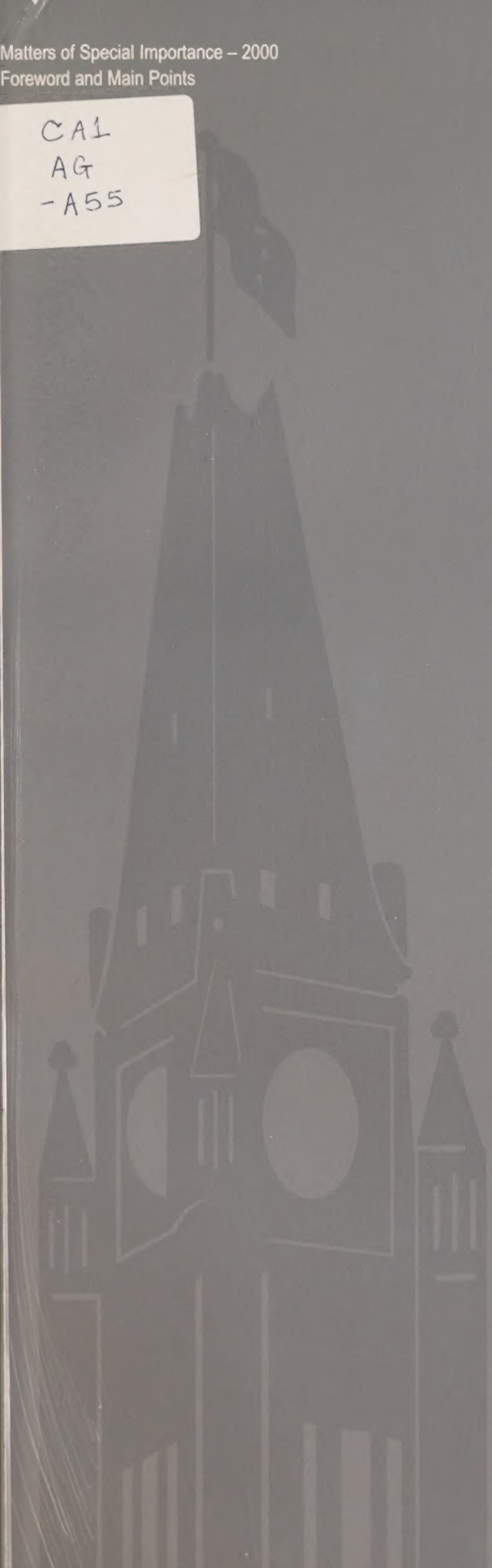
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Report of the Auditor General of Canada to the House of Commons

Matters of Special Importance – 2000
Foreword and Main Points



December 2000

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This December 2000 Report comprises 18 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 2000 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

Speaker of the House of Commons

I have the honour to transmit herewith my annual Report of 2000 to the House of Commons, to be laid before the House in accordance with the provisions of subsection 7(3) of the *Auditor General Act*.

L. Denis Desautels, FCA
Auditor General of Canada

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Foreword

Report of the Auditor General to the House of Commons for December 2000

Foreword

I am pleased to present the December volume of my 2000 Report. This Foreword is followed by "Matters of Special Importance – 2000" and the Main Points from all of this year's chapters. This volume of my Report contains the following 18 chapters:

18. Governance of Crown Corporations
19. Reporting Performance to Parliament: Progress Too Slow
20. Managing Departments for Results and Managing Horizontal Issues for Results
21. Post-Secondary Recruitment Program of the Federal Public Service
22. Development of the Universal Classification Standard: A Follow-up
23. Information Technology: Acquisition of Goods and Services
24. Federal Health and Safety Regulatory Programs
25. Canadian Food Inspection Agency – Food Inspection Programs
26. Health Canada – Regulatory Regime of Biologics
27. Canadian Nuclear Safety Commission – Power Reactor Regulation
28. Follow-up of Previous Recommendations on Health and Safety Regulatory Programs
29. Treasury Board Secretariat – The Government's Annual Contracting Activity Report – 1998
30. Fisheries and Oceans – The Effects of Salmon Farming in British Columbia on the Management of Wild Salmon Stocks
31. Fisheries and Oceans – Fleet Management
32. National Defence – Defence Support Productivity: A Progress Report
33. Follow-up of Recommendations in Previous Reports
34. Other Audit Observations
35. Sustainable Development Strategy for the Office of the Auditor General

My Office issued the first volume of the 2000 Report in April, containing 9 chapters, and the second volume in October 2000, containing 8 chapters.

In addition, this year my Office has provided:

- an auditor's report and observations on the Financial Statements of the Government of Canada;
- an auditor's report and observations on the Statement of Transactions of the Debt Servicing and Reduction Account; and
- some 90 auditor's reports and observations on federal Crown corporations, federal departmental corporations and other entities; territorial governments, corporations and other entities; and international organizations.

In 1999-2000, my Office completed special examinations of Standards Council of Canada, National Museum of Science and Technology, Canada Development Investment Corporation, Export Development Corporation, Marine Atlantic Inc., Old Port of Montreal Corporation Inc., Canada Deposit Insurance Corporation, Enterprise Cape Breton Corporation, National Gallery of Canada, Freshwater Fish Marketing Corporation, Queens Quay West Land Corporation and Royal Canadian Mint. Further, in the subsequent period from April to October 2000, my Office also completed special examinations of Laurentian Pilotage Authority, Canadian Diary Commission, Canadian Broadcasting Corporation and Canada Lands Company Limited.

Under section 11 of the *Auditor General Act*, I may undertake, from time to time, assignments at the request of the Governor in Council. In 2000, we received the following requests under this section:

- Inquire into the Yukon Workers' Compensation Health and Safety Board.
- Inquire into and report on the accounts and financial transactions of UNESCO, including any observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organization, for three consecutive fiscal years commencing in the year 2000-2001.
- Audit, each year, the annual financial statements of the Canadian Nuclear Safety Commission.
- Inquire and report on the reconciliation referred to in article 23 of the Sales Tax Collection Agreement between the Government of Canada and The Kamloops Indian Band.

Matters of Special Importance – 2000

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Matters of Special Importance — 2000

Main Points

Each year in this chapter I highlight issues I consider especially significant. In this, my tenth and last such chapter, I concentrate on the question of how we might improve the management of government spending. I discuss four basic principles that should be informing spending decisions and practices in a parliamentary system of government like our own:

- **All government spending should have Parliament's sanction.** Parliamentary control of finance has been described as the bedrock of responsible government. It is based on two central precepts of parliamentary democracy — namely, that the government should not raise money without Parliament's approval, and it should not spend money except for purposes authorized by Parliament. Compliance with parliamentary authority is a minimum requirement that must be met by any disbursement of public funds.

- **Government spending should be managed with probity and efficiency.** This principle recognizes the fact that public money is money held in trust for the benefit of all Canadians. As a consequence, the government has an obligation to ensure that the money is managed prudently in support of the general public interest. It also means that the government must seek to obtain maximum value for the dollars it spends.

- **The value of government spending should be measured by what it achieves.** Historically the tendency has been to justify government programs more by the resources they used than by the results they produced. But governments don't create programs in order to spend money; they establish programs to deliver services that improve the lives of Canadians. That is why they need to manage for results.

- **Government spending programs should remain current.** The resources available to government change over time. So do public needs and preferences. To ensure that public spending is allocated to the uses that are most valued, the government needs to evaluate its programs regularly and assess whether they are still relevant, effective and affordable.

While these principles may appear self-evident, they are nevertheless too frequently breached. I therefore also discuss how a strong framework of values and ethics and appropriately structured incentives can help to ensure that these principles of public spending are observed.

In a supplement to the chapter, I address other matters of ongoing interest:

- reforms in human resource management in the public service;
- financial management capabilities in government departments;
- progress in performance reporting by government departments;
- weaknesses in the education system for Indian children on reserves;
- challenges facing federal health and safety regulatory programs;
- shortcomings in the corporate governance of Crown corporations; and
- opportunities for cost savings identified by our audits.

Background

Despite the retrenchment and cutbacks of the past decade, spending by the federal government remains at historically high levels — roughly $175 billion a year. How well this money is spent is clearly of great interest to the taxpayers, who bear the cost, and to the public at large, on whose behalf the spending takes place.

In my 10 years as Auditor General, I have seen significant improvements in the management of government spending, often made under the pressure of fiscal constraints. But progress has been slow, and there have been relapses as well. Year-end surges in spending, expenditure commitments without adequate planning or control, insufficient effort to recover moneys owed the Crown — these and other indications of a failure to make the best use of resources are still encountered with disquieting frequency in the federal public sector.

Why do these problems seem so intractable? Why do they persist year after year, despite express commitments to set them right? What can be done to close the gap between promise and performance in the way government handles taxpayer money? These are the questions that motivate my discussion in this chapter.

Vision

We are committed to making a difference for the Canadian people by promoting, in all our work for Parliament, answerable, honest and productive government that reflects a commitment to sustainable development.

Mission

The Office of the Auditor General of Canada conducts independent audits and examinations that provide objective information, advice and assurance to Parliament. We promote accountability and best practices in government operations.

Elaboration of Mission

In achieving our mission, we want to make a difference by promoting:

- *a fair and frank accounting of government's stewardship of financial and other resources;*
- *efficiency and productivity in the public service;*
- *cost effectiveness of government activities; and*
- *collection of revenues owed to the Crown.*

Other effects we want to produce through our work are:

- *objective assurance on matters found to be satisfactory and unsatisfactory;*
- *compliance with authority; and*
- *deterrence of fraud and dishonesty.*

Improving Performance in Government Spending



Each year in this chapter I highlight issues I consider especially significant. This is my tenth and last such chapter: my 10-year mandate as Auditor General comes to a close at the end of March 2001. In February, I plan to present a "capstone" report to Parliament to coincide with the end of my mandate. That report will provide my perspective on some key management problems facing the federal government, the role of legislative audit and its evolution over the past 10 years, and the efforts my Office has made to identify problems and seek reform in central agencies and in program delivery.

Despite honest efforts and repeated commitments to improvement, expenditure management in the federal public sector is still not as good as it should be and can become.

In this chapter I want to concentrate on a theme that is central to our Office and dear to my heart: how to improve the way **spending** is managed in the public sector. Despite honest efforts and repeated commitments to improvement, expenditure management in the federal public sector is still not as good as it should be and can become. To this end, I set out some basic principles that should be informing spending decisions and practices in a parliamentary system of government like our own, and I draw out some of their implications. I also discuss how a strong framework of values and ethics and appropriately structured incentives can help to ensure that these principles of public spending are observed.

The stewardship of public funds deserves increased attention

Despite the retrenchment and cutbacks of the past decade, spending by the federal government remains at historically high levels — roughly $175 billion a year. How well this money is spent is clearly of great interest to the taxpayers, who bear the cost, and to the public at large, on whose behalf the spending takes place.

Earlier this year, the disclosure of serious shortcomings in the management of grants and contributions at Human Resources Development Canada (HRDC) created a major stir. Public reaction was strong because the amounts involved were large and also, I believe, because years of rising taxes and shrinking or stagnating household budgets have made the public even more sensitive than usual to lax spending practices in government. The issue

received wide publicity in the news media and was intensely debated in the House of Commons. But shortcomings of the sort revealed at HRDC — vague and inconsistently applied eligibility criteria, breaches of authority, absence of an appropriate control and accountability framework — are by no means exclusive to one program or one department. We observed shortcomings of a similar nature (though of a lesser magnitude) in our 1996 audit of the Canada Infrastructure Works program, our 1997 audit of The Atlantic Groundfish Strategy and our 1998 audit of grant and contribution programs in Industry Canada and the Department of Canadian Heritage. I can cite other examples over the years, but these will suffice to make my point that spending in government is not always conducted with the care and prudence that taxpayers have a right to expect.

Spending in government is not always conducted with the care and prudence that taxpayers have a right to expect.

Canadians are justifiably upset by such disclosures. They may agree with Justice Oliver Wendell Holmes that taxes are the price we pay for civilization, and not begrudge the high taxes they pay to finance necessary public services. But they get upset and angry when they see their tax dollars squandered or used with less care and prudence than they must use to make ends meet in their household budgets. Frankly, I share their frustration. It is discouraging to witness new incidents of waste and mismanagement crop up hydra-like after older ones have been discovered and dispatched.

In my 10 years as Auditor General, I have seen significant improvements in the management of government spending, often made under the pressure of fiscal constraints. But progress has been slow, and there have been relapses as well. Year-end surges in spending, expenditure commitments without adequate planning or control, insufficient effort to recover moneys owed to the Crown — these and other indications of a failure to make the best use of resources are still encountered with disquieting frequency in the federal public sector.

Why do these problems seem so intractable? Why do they persist year after year, despite express commitments to set them right? What can be done to close the gap between promise and performance in the way government handles taxpayer money?

If these questions were easy to answer, we would not need to revisit them so often. But after 10 years of looking close up at government spending, I believe we can do better and should resolve to do so. The core of this chapter discusses how this might be done. The section that follows sets out a number of principles that ought to guide spending decisions in government.

Subsequent sections of the chapter discuss means of reinforcing the principles through appropriate structures of incentives and ethics. As in previous years, issues that are not directly related to the theme of the chapter (in this case, ensuring prudent spending in the public sector) but that I consider important are reported in a supplement to the chapter.

Four Basic Principles of Public Spending

Public administration at the federal level in Canada has undergone huge changes over the past decade. As in many other countries in the developed world, there has been a marked shift away from the traditional bureaucratic emphasis on detailed control from the centre and preoccupation with process toward more autonomy for departments and a focus on results. The shift to results-oriented management has been driven by a desire to harness the enterprise and judgment of public sector employees and empower them to improve performance. At the same time, however, the weakening of traditional controls can increase the risk of error, misjudgment or abuse.

The downside risks of empowerment can be minimized if some key principles are applied to help guide action and set limits on the exercise of discretion.

Reverting to the old rule-bound systems is not an answer to this dilemma. In today's information age, top-down, command-and-control approaches do not work — if they ever did. The downside risks of empowerment can be minimized if some key principles are applied to help guide action and set limits on the exercise of discretion in the new, decentralized environment of the public sector.

My 1992 Report stressed the need for appropriate safeguards to accompany the devolution of authority in the public sector. Drawing on parallels with private sector firms, the Report suggested that a set of fundamental rules be instituted to frame the boundaries of decision making by public servants. A clear set of ground rules within which discretion can be exercised, the Report contended, can help to minimize unwanted risks while encouraging innovation by providing more certainty about what employees may do.

The rules my 1992 Report suggested are shown in Exhibit 1. The list is not exhaustive; other examples can be added. To work, the rules would have to be well understood. They should therefore be codified and communicated throughout the public service. I still believe that this would help to minimize unwanted risks in government activities.

These rules, and others like them, can be captured in a small number of principles rooted in our parliamentary system of government and in the

government's fiduciary obligation to Canadians for the management of public funds. I discuss four such principles here:

- All government spending should have Parliament's sanction.
- Government spending should be managed with probity and efficiency.
- The value of government spending should be measured by what it achieves.
- Government spending programs should remain current.

While these principles may seem self-evident, they are apparently not clear enough to have prevented breaches of each one of them, as I note below. I believe that further emphasis on guiding principles and fundamental rules would reduce the incidence of such breaches in the future.

Exhibit 1 — Some Fundamental Rules for the Public Service

- Do nothing illegal. Uphold the spirit and letter of laws and regulations.
- Act within your delegated authority.
- Act in a politically neutral manner.
- Act impartially, honestly and fairly.
- Don't waste public money.
- Safeguard assets.
- Respect the core values of your organization.
- Make service standards visible.
- Realize the productive potential of all resources entrusted, especially people.
- Don't make decisions that commit significant public resources without proper authority.
- Document risk acceptance.
- Account for the discharge of responsibilities and achievement of agreed performance.
- Get authority for waiving a fundamental rule.

Source: Report of the Auditor General of Canada, Chapter 4, 1992.

I also discuss procedures and practices that flow from these principles. The procedures and practices may vary over time; the principles themselves remain constant. They can give direction to specific processes and inform appropriate conduct.

All Government Spending Should Have Parliament's Sanction

Parliamentary control of finance has been described as the bedrock of responsible government. It is based on two central precepts of parliamentary democracy — namely, that the government should not raise money without Parliament's approval, and it should not spend money except for purposes authorized by Parliament. These precepts, the achievement of centuries of struggle between the Crown and the Commons in England, were already well established at the time of our Confederation in 1867. When the original provinces got together to establish a form of government "similar in Principle to that of the United Kingdom," they incorporated these precepts in the *Constitution Act, 1867*. The principle that Parliament is the custodian of the public purse has thus been part of Canada's constitutional landscape since the country's inception.

Over time, a number of specific practices were developed to put this principle into effect. Since 1951, those practices have been brought together under a single act of Parliament, the *Financial Administration Act* (*FAA*). The Act makes the Treasury Board responsible for overall control of public spending and each minister responsible for the legality and probity of spending in his or her department. It also sets precise conditions that govern payments out of the Consolidated Revenue Fund — the account into which, by law, all government revenues are credited. Specifically, the payments must:

The principle that Parliament is the custodian of the public purse has been part of Canada's constitutional landscape since the country's inception.

- be authorized by a warrant signed by the Governor General (*FAA*, section 28);
- conform to a plan approved by the Treasury Board (section 31);
- not exceed funds appropriated for the purpose by Parliament (section 32); and
- be requisitioned by a minister or authorized officer in a form prescribed by the Treasury Board (section 33).

Where payments are for services or goods received, the responsible departmental officer must certify before payment is made that the performance conditions were met. For grants and contributions, the officer must certify that the recipient is entitled to the payment (section 34).

These provisions of the *FAA* establish minimum requirements for the disbursement of public funds — there are no short-cuts around them. Yet breaches of these provisions, while infrequent, still occur. In our audit of HRDC earlier this year, we found instances of payments made without required approvals or before project commitments had been met. The audit found that payments had been approved by staff who lacked the delegated authority to do so and who often did not review whether claims for payment were supported by the requisite information. The point of the *FAA* provisions is to ensure that government spending is in compliance with parliamentary authority and consistent with enunciated government policies. Failure to adhere to them normally signals further weaknesses in the way a program is managed and run.

For related Auditor General work, see: 2000 Chapter 11 Human Resources Development Canada — Grants and Contributions; 2000 Chapter 17 Other Audit Observations — Parc Downsview Park Incorporated and Public Works and Government Services Canada; 1998 Chapter 27 Grants and Contributions: Selected

Programs in Industry Canada and Department of Canadian Heritage; 1997 Chapter 13 Health Canada —First Nations Health; 1996 Chapter 26 Canada Infrastructure Works Program —Lessons Learned; 1994 Chapter 12 Aspects of Federal Real Property Management; 1993 Chapter 25 Parliamentary Control over the Raising of Revenues by Fees.

Government Spending Should Be Managed With Probity and Efficiency

This principle recognizes the fact that public money is money held in trust for the benefit of all Canadians. As a consequence, the government has an obligation to ensure that the money is managed prudently in support of the general public interest. It also means that the government must seek to obtain maximum value for the dollars it spends. Common sense and good management practices suggest a number of conditions that need to be in place if these fiduciary obligations of the government are to be met. They include appropriate program design, adequate capacity to run each program, and effective systems of internal control.

Public money is money held in trust for the benefit of all Canadians.

Appropriate design. Legislation normally provides only general direction and outlines of spending plans. Departmental managers are then responsible for designing specific programs to achieve the legislation's intent. They need to define clearly the desired outcomes and set priorities; choose appropriate mechanisms and instruments to deliver the program; and identify potential risks and means to manage them.

Haste makes waste. The Northern Cod Adjustment and Recovery Program offers a good example. Established in 1992 to provide relief to fishers and plant workers affected by the moratorium on cod fishing, the program was rushed into operation before proper eligibility criteria and appropriate financial controls had been established. As a result, payments were made to many people who were not affected by the moratorium; and contrary to the program's intent, people who had left the fishery were drawn back to it. Spending the time and the resources it takes to establish a workable, effective plan for running a program is an investment worth making.

Adequate capacity to run the program. Does the program have enough resources to achieve the desired results efficiently? Are they allocated optimally across the tasks involved in running the program? Having adequate capacity in place is a manifestly basic ingredient of program success, but one not always present in government departments. As we reported in October, inadequate capacities for financial management and control at HRDC in the

wake of the cutbacks and reorganizations of the mid-1990s were factors that contributed to the mismanagement of several programs in that department.

Establishing huge spending programs and then, in effect, putting them on auto-pilot is clearly not consistent with the principle of seeking to maximize value for the taxpayer's dollar.

Similarly, our 1996 audit of the Canada Pension Plan (CPP) disability program concluded that the sharp increases in CPP disability payments during the previous decade had occurred in the absence of sufficient capacity to analyze trends in benefit payments, manage eligibility assessments, and review files systematically to identify ineligible beneficiaries. Establishing huge spending programs and then in effect putting them on auto-pilot is clearly not consistent with the principle of seeking to maximize value for the taxpayer's dollar. A program worth doing is worth doing well. Inadequate resources or resources poorly deployed can undermine the effectiveness of the program and lead to waste, loss of trust and erosion of support for the program.

Effective internal control systems. Internal control refers to the methods and procedures used by management to ensure that decisions are carried out properly, risks are managed, transactions recorded, performance monitored and results reported: in short, everything it takes to ensure that the program is running as it should.

An integral part of an effective internal control system is a strong audit function, one that tests the credibility of performance measurements and provides assurance that the management framework for achieving program objectives is operating as intended. In government-wide audits completed in 1993 and 1996, we found weaknesses in the internal audit functions of many departments. Since then, disproportionate cutbacks in the government's internal audit, evaluation and review functions have eroded them further. In HRDC, for example, the internal audit staff was reduced from 54 in 1994-95 to 33 in 1999-2000. As Treasury Board standards recognize, internal audit is a fundamental tool of effective management. Treating it as a frill or an afterthought can put an organization at risk.

For related Auditor General work, see: 2000 Chapter 3 Citizenship and Immigration Canada —The Economic Component of the Canadian Immigration Program; 2000 Chapter 13 Assessment of Financial Management Capabilities in Departments; 2000 Chapter 14 Canadian International Development Agency —Managing Contracts and Contribution Agreements; 2000 Chapter 18 Governance of Crown Corporations; 1996 Chapter 4 Internal Audit in Departments and Agencies; 1996 Chapter 17 Human Resources Development Canada —Canada Pension Plan: Disability; 1993 Chapter 7 Internal Audit; 1993 Chapter 15 Department of Fisheries and Oceans — Northern Cod Adjustment and Recovery Program.

The Value of Government Spending Should Be Measured By What It Achieves

Defining clearly the results of a program is a difficult task — especially in the public sector, where the policy aims are often intrinsically broad — but a task that is necessary. Historically the tendency has been to justify government programs more by the resources they used than by the results they produced. But governments don't create programs in order to spend money; they establish programs to deliver services that improve the lives of Canadians. What is a program expected to achieve? How will we know if it does? These questions need to be answered as clearly as the circumstances of each program will permit. That is why government needs to manage for results.

Historically the tendency has been to justify government programs more by the resources they used than by the results they produced.

As noted in Chapter 20 of this Report, managing for results in an organization requires the following elements:

- Fostering an organizational climate that encourages managing for results, including leadership from senior management and appropriate incentives.
- Agreeing on a strategic framework for results, making clear what the organization intends to accomplish and how.
- Agreeing on the expected results and strategies of programs, establishing clear objectives and performance indicators up front.
- Measuring performance results and using that information to improve the design and operation of the program.
- Reporting performance effectively, that is, in a way that allows Parliament and stakeholders to see how well the program is doing.

Establishing clear objectives and performance indicators up front and regular monitoring and reporting of results are useful on several counts. They encourage program improvements by helping management know how well a program works. They enhance Parliament's ability to hold the government to account for the use of public funds. And they nourish public trust in government, by enabling the public to know what they get for their tax dollars and whether it represents the best value for the money.

The government does recognize the importance of managing for results. In a November 1995 paper entitled *Strengthening Government Review,* it announced an explicit commitment to establish "a results-based management

Establishing clear objectives and performance indicators up front and regular monitoring and reporting of results are useful on several counts.

culture," embracing the expectation that "programs and services will identify intended results, measure progress and then report on achievements." As we report in Chapter 20, the government has introduced several important initiatives in support of that commitment, and a focus on results is now common in government departments. However, it is proving very difficult to complete certain critical steps, such as measuring results and using that information to improve performance.

For related Auditor General work, see: 2000 Chapter 20 Managing Departments for Results and Managing Horizontal Issues for Results; 2000 Chapter 29 Treasury Board Secretariat — the Government's Annual Contracting Activity Report — 1998; 1999 Chapter 19 Industry Portfolio — Investing in Innovation; 1997 Chapter 5 Reporting Performance in the Expenditure Management System; 1997 Chapter 11 Moving Toward Managing for Results; 1997 Chapter 22 Crown Corporations: Making Performance Measurement Work.

Government Spending Programs Should Remain Current

The resources available to government change over time. So do public needs and preferences. To ensure that public spending is allocated to the uses that are most valued, government needs to evaluate its programs regularly and assess whether they are still relevant, effective and efficient. Questions that evaluations should address include the following:

- Does the program still serve a clearly defined public purpose that matters to Canadians?
- Would we establish the program today if it did not already exist?
- Is it desirable to maintain it at the current level?
- Can it be delivered more effectively or efficiently? Have there been changes (in the service environment infrastructure, technology, etc.) since the program's inception that would now permit an alternative means of achieving its objectives with greater economy, efficiency, or effectiveness?

These questions are similar to those asked during the government's Program Review that preceded the deficit-cutting measures announced in the February 1995 Budget. The government claims that Program Review was instrumental in establishing the priorities that should be supported and in identifying where spending could be cut with the least pain to the system and fewest adverse consequences for Canadians. These are, of course, precisely the

purposes that program evaluation can serve. But evaluations should not be sporadic, or byproducts of financial crisis. Systematic, ongoing evaluation of programs is an essential part of good public management.

High deficits and the need to rein them in provided strong incentive during the 1990s to review government programs closely for savings opportunities and to evaluate new spending proposals carefully. Indeed, under the government's Expenditure Management System published in early 1995, all new spending had to be financed through reallocations from existing programs. In the current post-deficit environment, the demand for fiscal discipline may appear less pressing. The need for ongoing review of government programs remains, however, for we still need to ensure that they continue to serve a useful public purpose and that they remain efficient, effective and affordable.

Systematic, ongoing evaluation of programs is an essential part of good public management.

For related Auditor General work, see: 1996 Chapter 3 Evaluation in the Federal Government; 1993 Chapter 8 Program Evaluation in the Federal Government — The Case for Program Evaluation; 1993 Chapter 9 Program Evaluation in Departments — The Operation of Program Evaluation Units; 1993 Chapter 10 The Program Evaluation System — Making It Work.

Recent government pronouncements on spending practices are commendable, but follow-through is key

I was encouraged to see the government's clear commitment to "responsible spending" in the Treasury Board publication, *Results for Canadians: A Management Framework for the Government of Canada*, released earlier this year. Specific parts of that commitment coincide with several of the prerequisites for sound management of public spending I have been discussing here, including a focus on results, a proper environment of control, and continuous examination of expenditures to ensure that value is obtained for the taxpayer's dollar.

I was also pleased at the revised policy for transfer payments announced last May by the Treasury Board President. Key components of that new policy — clear eligibility criteria, due diligence in approving entitlement and making payments, a results-based accountability framework, enhanced reporting to Parliament, ongoing monitoring and evaluation — are consistent with recommendations we have made in past reports on audits of grant and contribution programs. Appropriately implemented, the revised policy should result in much better management of government transfer payments.

Effective implementation is key of course. In the rest of this chapter, I discuss how a sound framework of values and ethics and the right incentives can help convert principle into practice.

A Strong Foundation of Values and Ethics Can Support Prudent Spending

Government is increasingly relying on values and ethics, rather than on prescriptive controls, to maintain probity and prudence in the public sector. A strong foundation of values and ethics helps to ensure that sound judgments are made in deciding how to spend money and implement programs. There is such a foundation in the federal public service at present, but it should not be taken for granted.

Exhibit 2 — Components of an Ethical Framework

- Statement of principles.
- Leadership by ministers and senior officials.
- Empowerment of public servants to carry out their duties in the public interest.
- Increased transparency in decision making.
- Provision of ethics-related training.
- Effective and trustworthy recourses for voicing ethical concerns.

Source: Reports of the Auditor General of Canada, 1995 and 2000.

As we note in Chapter 12 of this year's Report, major changes in government, such as the relaxation of central controls and the diffusion of decision-making authority, could undermine the existing strong foundation of values and ethics. We have proposed a framework to help maintain that foundation. This framework focusses on leadership, transparency in decision-making and the provision of guidance and training (see Exhibit 2).

The government has taken a number of important steps in recent years to maintain a strong foundation of values and ethics in the federal public sector. The 1996 report of the Task Force on Public Service Values and Ethics (the Tait report) helped forge a consensus on the current state of values and ethics in the federal public service and on areas for action. As well, the government is trying to reinvigorate a discussion of values and ethics in the public service. A number of departments are in the process of implementing sophisticated programs of values and ethics. For the most part, however, work to implement needed reforms in this area is only at a preliminary stage.

In its efforts to sustain sound values and ethics in the public sector, the government faces several major challenges. A set of principles to guide the public sector has to be developed. This cannot be imposed. It needs to be developed with the full participation of members of the public service and those who do business with the government. If the principles are to have

credibility, leadership by example throughout the public sector will be critical.

In its efforts to sustain sound values and ethics in the public sector, the government faces several major challenges.

The government is telling public servants that ethics involve "a commitment to do the right thing." It is also advising them that in deciding how to act, they should consider their obligation and authority to act, choose the best option, and accept responsibility for the actions taken. To help public servants act on this advice, the government needs to clarify the responsibilities of ministers and officials so there is a better understanding of who is accountable for what.

There is also a need to provide public servants with effective means to intervene in good faith and voice ethical concerns. Public servants should not be put in the position of believing that their only recourse is to express their concerns publicly. It should be possible to address matters of ethical concern effectively within an organization. To make it possible, the recourse mechanisms must be clear and trustworthy.

Finally, organizations and individuals doing business with the government or receiving government funds must play a supportive role. They need to understand that they are expected to respect the values and ethics that underpin sound public administration. The government will need to provide appropriate guidance on this.

A strong foundation of sound values and ethics is an essential part of good governance. It deserves more vigorous and systematic support than it has received to date. The government need to show greater determination on this front, develop a plan to address the issues involved, and act decisively to implement it.

For related Auditor General work, see: 2000 Chapter 12 Values and Ethics in the Federal Public Sector; 1999 Chapter 26 National Defence — The Proper Conduct of Public Business; 1998 Chapter 15 Promoting Integrity in Revenue Canada; 1995 Chapter 1 Ethics and Fraud Awareness in Government.

Incentives Should Be Harnessed to Pull in the Right Direction

A strong commitment to the values of professionalism, integrity and service reduces the risk that office holders will behave improperly or abuse the power of their office. But virtue alone is not enough to produce good results. As the famous British economist Alfred Marshall once observed, "Progress chiefly depends on the extent to which the *strongest* and not merely the *highest* forces of human nature can be utilized for the increase in social good." An altruist will give more to charity than a miser, but each is likely to give less when the cost of giving rises (through a reduction in the tax subsidy afforded charitable donations, for instance). Incentives matter. How to make them work in the administration of the public sector is a question of the first importance. Regrettably, it has not always received the attention it deserves.

Both carrot and stick can be used for the purpose. Deliberate abuse of power must invite appropriately corrective consequences. Good performance — performance above and beyond the call of duty — should be rewarded accordingly. Opportunities to tie rewards to performance may not be as prevalent in the public sector as in the private sector, but they do exist. Bonuses, promotions and reassignments are some available means. Programs of public recognition for a job well done or recognition from colleagues can also motivate a greater effort to improve performance and are often easier to implement than monetary incentives.

The question of the right incentives extends beyond individual rewards and sanctions to broader rules in government.

The question of the right incentives extends beyond individual rewards and sanctions to broader rules in government. To illustrate, until 1993 all savings achieved by departments — any unspent balances by year-end — would be returned to the government's general coffers. Where was the incentive to save in such a system? In 1993, the supply process was amended to allow departments to carry forward a portion of their unspent funds to the following fiscal year. As a result of that change, year-end spending sprees by departments are now less common than they used to be.

Unfortunately, they have recently been replaced by a similar practice at a more aggregate level. With the elimination of the deficit three years ago, the government has adopted the practice of announcing significant new spending toward year-end so the estimated surplus is reduced to a level no higher than the $3 billion "contingency reserve" included in the Budget forecast. Largely

as a result of this practice, cumulative spending in excess of Budget projections has amounted to $10.5 billion over the past three years.

Poorly structured incentives also appear to have played a role in the mismanagement of job creation programs at HRDC. According to testimony before the House of Commons Standing Committee on Human Resources Development and the Status of Persons with Disabilities, HRDC front-line employees were under pressure to approve projects quickly and spend the available funds. Employees who exercised prudence might have been assessed poorly for failing to disburse enough funds.

There is a tendency in government at times to move cautiously in ferreting out error and to respond slowly when it is found.

Mistakes can occur in any organization. When they occur in the private sector, there are strong incentives to correct them quickly and move on: financial markets and the bottom line are powerful enforcers.

In the public sector, rectifying mistakes often appears less pressing. To set a failure right, it is necessary to own up to the failure first. But where are the benefits to ministers and senior management of acknowledging error? The fallout can often be severe. Cover the mistake up, on the other hand, and life chugs along normally: none is the worse off but taxpayers. There is therefore a tendency in government at times to move cautiously in ferreting out error and to respond slowly when it is found.

A number of lessons emerge from this experience:

- It takes courage for public officials to bring administrative abuses and mistakes to light. When they do, they deserve protection against possible retribution from their bureaucratic or political masters for the discomfort they may have caused. As the Task Force on Public Service Values and Ethics concluded, appropriate mechanisms are needed to permit public servants to express dissent and raise ethical concerns without suffering for their efforts.

Enhanced transparency and accountability lead to stronger institutions and more effective government.

- Accountability requires that people accept responsibility for their mistakes — that goes without saying. Excessive emphasis on laying blame, however, can be counterproductive. If we wish to empower employees and encourage them to innovate, then we must be prepared to accept the risk that, at times, mistakes and wrong decisions will be made. When that happens, we should focus on learning from the experience rather than assigning blame.

- Parliament and the public should encourage more openness in government. Sunlight, it has been said, is the best antiseptic. Clear, timely information on money spent, where it went and what it achieved makes it easier for those outside the organization to monitor the disbursement of funds for consistency with policy intentions, probity and prudence. The knowledge that their operations are visible encourages public servants and their political masters to exhibit behaviour that can withstand scrutiny. **Overall, enhanced transparency and accountability lead to stronger institutions and more effective government.**

For related Auditor General work, see: 1999 Chapter 11 Agriculture Portfolio — User Charges; 1994 Chapter 32 Department of Finance and Revenue Canada — Income Tax Incentives for Research and Development; 1992 Chapter 5 The Learning Organization.

Conclusion

The past decade has seen a strong movement toward a less bureaucratic, more flexible approach to management in the federal public sector. The relaxation of central controls, increased managerial discretion, a focus on results over process — these are all elements in this trend. This is a trend that I very much favour and have strongly supported, but it has a downside. As recent disclosures of some lax spending practices in government suggest, when controls are reduced and more discretion is allowed, there is some risk that discretion will be misused and things may go wrong.

To minimize that risk, devolution of authority must be matched with some basic principles to guide spending decisions and to place appropriate bounds on the use of discretion. In broad terms, these principles require acting within authority and acting with prudence while maintaining a focus on results that matter to Canadians. Reinforced with appropriate incentives, values and ethics, they can help produce government that is both frugal and effective.

The Canadian economy has been on a strong upward trajectory over the past few years, and government coffers are flush with cash. Good times are not normally conducive to intensive efforts to achieve economy and efficiency. All the more reason, therefore, for parliamentarians and the public to remain vigilant, and to insist that government spending take place within a framework that respects the supremacy of Parliament and fosters value for the taxpayer's dollar.

Supplement: Other Matters

Reforms in human resource management have not met expectations

Public management in Canada has changed significantly in the last decade, becoming less reliant on detailed central controls and more focussed on results. As part of this change, departments and their employees have received broader authority and discretion to find innovative ways of meeting objectives. These changes have highlighted the importance of improving the way government employees are managed in order to attain desirable results. As I have stressed on previous occasions, success on this front is key to successful public sector reform generally, for it is people who must implement the reforms, deliver the services and provide feedback for improved performance.

Despite major initiatives during the 1990s, human resource management reforms have not met expectations. Further, the challenges have taken on increased urgency. One reason is that measures to cope with difficult fiscal circumstances exacerbated poor labour-management relations and led many public servants to question the wisdom of a career in the public service. A second is that the public service faces new or heightened concerns. These include an impending "retirement bulge", which raises the spectre of a future leadership crisis, and increasing competition from other employers for "knowledge workers."

There is a need for a real breakthrough in human resource management if the public service is to meet the challenges before it. Key to achieving this breakthrough is the resolution of three long-standing issues. The administrative framework governing the public service is cumbersome, costly and ill-suited to the demands of modern management. Responsibility is fragmented to an extent that clear leadership is lacking and accountability for reforms is unclear. And the increasing autonomy of departments demands major changes in the roles played by departmental managers. Deputy ministers, traditionally seen as primarily responsible for administering a centrally prescribed framework, must instead assume pivotal responsibility for the way their people are managed and for maintaining a healthy work environment in their departments.

For related Auditor General work see: 2000 Chapter 9 Streamlining the Human Resource Management Regime: A Study of Changing Roles and Responsibilities; 2000 Chapter 21 Post-Secondary Recruitment Program of the Federal Public Service; 2000 Chapter 22 Development of the Universal Classification Standard: A Follow-up.

Financial management capabilities in departments fall short of what is needed

Encouraging better financial management in government has been a long-standing strategic priority of my Office. As part of this effort, in April 1999 we published the Financial Management Capability Model, a framework describing the essential elements of financial management in government departments and agencies. The Model sets out the Office's expectations for financial management and is the basis on which future audits in this area will be conducted.

In Chapter 13 of this year's Report, we presented the results of an audit of the financial management capabilities in five government departments. The audit found that none of these departments meets the requirements of important current government initiatives, such as the Modernization of Comptrollership and the Financial Information Strategy. These initiatives aim to modernize the way government manages resources, by strengthening internal controls and providing better information to support planning, decision making and reporting.

One of the most common weaknesses we found was the limited ability to integrate financial and non-financial information. Without integrated information, departments cannot determine accurately how much it costs to produce a particular result or to deliver a service at a given level. They need such information to make sound decisions, manage risks well and account properly for the use of resources.

It will be difficult to modernize government operations without strong financial management capabilities. The development of these capabilities throughout government will require the sustained support and concerted effort of the Treasury Board Secretariat, the Privy Council Office and deputy ministers. With important government initiatives hinging on capabilities that do not currently exist, there is no time to spare.

For related Auditor General work, see: 2000 Chapter 13 Assessment of Financial Management Capabilities in Departments; April 1999 Financial Management Capability Model; 1999 Chapter 21 Financial Information Strategy: Departmental Readiness; 1998 Chapter 18 The Financial Information Strategy: A Key Ingredient in Getting Government Right.

Performance reporting has improved but progress has been slow

In Chapter 19 of this Report, we examine the reporting of departmental performance to Parliament. Some improvement has been made since our 1997 audit of this matter, but I am disappointed at the slow pace of progress. While today's performance reports are better than the information that was available to parliamentarians in the previous Part III Estimates, they are still too much a report of activities rather than an accounting of the results achieved compared with what was planned. Too often the planned results are vague about what the departments actually expect to achieve, and the reporting of performance does not link achievements to the longer-term benefits for Canadians.

Members of Parliament and the public need good performance information to be able to hold the government to account. Parliamentarians need this information in their committee reviews of departmental programs and in their scrutiny of the budgetary process. Parliament may want to consider legislation to ensure that it is provided. But other changes are also needed in the reporting regime. Agreement on principles of reporting, more incentives for good reporting, and stronger oversight and challenge by the Treasury Board Secretariat are all required. Departments also need performance information to improve programs and services.

I am pleased to note that a general focus on results seems to have taken hold in the culture of departmental management and performance reporting. But effective implementation requires that the next steps — measuring results, using that information to improve programs and credible reporting on results to Parliament — be taken with some urgency.

For related Auditor General work, see: 2000 Chapter 19 Reporting Performance to Parliament: Progress Too Slow; 2000 Chapter 20 Managing Departments for Results and Managing Horizontal Issues for Results; 1997 Chapter 5 Reporting Performance in the Expenditure Management System.

Education system fails to meet the needs of Indian children on reserves

In April of this year, we reported on our audit of elementary and secondary education for Indian children who live on reserves. Indian and Northern Affairs Canada (INAC) allocates about $1 billion each year for this purpose, in addition to funding school construction and maintenance.

The audit found serious gaps in the academic achievement of First Nations students compared with other Canadians. The dropout rate of these students before grade nine is six times higher than that of the general Canadian population. The proportion of the on-reserve population with a high school education is significantly lower than in the general population. Moreover, it is questionable whether the education received by Indian students meets their cultural needs.

This poor record reflects deficiencies in the education programs funded by INAC that have existed for a very long time. For one, the Department has not articulated its role in education. Clarification of the role is essential both for accountability purposes and for the Department to know whether its existing capacity and resources are sufficient to fulfil that role.

The Department also needs to address several operational issues, including how education funds are administered. As a result of program devolution and delegation of authorities, the Department has come to rely on First Nations and the provinces for the delivery of education services. The Department needs to take the measures necessary to ensure that these services — for which it provides funding — are effective and efficient.

Action to meet the education needs of Indian children is urgently needed. In the absence of satisfactory progress, there will be high financial cost in social programs, an increased waste of human capital, and degradation of the relationship between the government and First Nations peoples.

For related Auditor General work, see: 2000 Chapter 4 Indian and Northern Affairs Canada — Elementary and Secondary Education.

Health and safety regulatory programs face difficult challenges

Health and safety regulatory programs deal with issues ranging from food inspection and nuclear power regulation to environmental pollution and air safety. Their basic purpose is to protect Canadians from risks to health and safety. This task is becoming increasingly complex, requiring a correspondingly sophisticated approach to accomplish it.

Federal health and safety regulatory programs have experienced profound changes over the past decade. They were restructured to streamline delivery, and they shifted orientation away from direct regulation (designed and imposed by government) toward greater reliance on standards developed by third parties, such as voluntary industry codes. They were also subjected to funding reductions, which have been partly reinstated recently.

Some of these changes have had an adverse impact on public confidence in the effectiveness and credibility of health and safety regulatory programs. Restoring public confidence is one of several serious challenges facing these programs today. Other challenges include a significant exposure to legal claims for regulatory negligence, arising from court decisions over the past decade; the need to co-ordinate operations across departments and jurisdictions, since many health and safety issues cut across departmental mandates and political borders; and the need for large-scale recruitment of expert staff, in light of the high proportion of employees who will be eligible for retirement in the near future.

In Chapter 24 of this Report, we make a number of recommendations that can help government respond to these challenges.

For related Auditor General work, see: 2000 Chapter 24 Federal Health and Safety Regulatory Programs; 2000 Chapter 25 Canadian Food Inspection Agency — Food Inspection Programs; 2000 Chapter 26 Health Canada — Regulatory Regime of Biologics; 2000 Chapter 27 Canadian Nuclear Safety Commission — Power Reactor Regulation; 2000 Chapter 28 Follow-up of Previous Recommendations on Health and Safety Regulatory Programs.

Governance of Crown corporations has improved but can be made better

Corporate governance refers to the process and structures for overseeing the direction and management of a corporation so that it effectively carries out its mandate and objectives. It is critical that a Crown corporation be well governed if taxpayers' money is to be well spent. Based on our general experience in auditing Crown corporations and a more specific review of 15 corporations, we see shortcomings in three areas important to the way Crown corporations are governed.

First, boards of directors need strengthening. Currently, they lack key skills and capacities to oversee effectively the management of Crown corporations. Corporations need to define better their requirements in this area, and government needs to act on them. Boards of directors also need to be more engaged in selecting the corporation's chief executive officer (CEO). Without meaningful involvement by the board in the process, accountability of the CEO to the board is weakened and corporate governance as a whole suffers.

Second, the audit committees of Crown corporation boards often fall short of recognized best practices. The audit committee plays a crucial role in financial reporting, risk management and internal control. Of the committees we examined, half were considered ineffective or only marginally effective.

Finally, the government has a limited capacity to review and challenge Crown corporation corporate plans. The government needs to strengthen this capacity, since these plans are the basis for holding Crown corporations accountable for their conformance to government policy and their performance overall.

For related Auditor General work, see: 2000 Chapter 18 Governance of Crown Corporations; 1995 Chapter 10 Crown Corporations: Fulfilling Responsibilities for Governance.

Opportunities for cost savings

Improving the efficiency and effectiveness of government activities and cultivating a healthy regard for economy are objectives central to our mandate and to the work that we do at the Office. The impact of our work is not easily quantifiable in most cases, but often in the course of our audits we find opportunities for cost savings to which a price tag can be attached. The following are examples taken from audits reported this year:

Management of health benefits to First Nations. In a 1997 audit of health programs delivered to First Nations communities, we noted the need for a point-of-service system to control the administration of benefits. We also recommended that Health Canada take appropriate steps to improve claims-processing system controls and edits. In a follow-up audit this year, we found that $8.4 million was saved in 1999 through identification and rejection of improper claims, but further improvements are still possible.

Non-recovery of expenditures by Indian and Northern Affairs Canada. The Department has spent approximately $151 million since 1977 to ensure a continuous supply of drinking water to Cree communities that were adversely affected by hydro-electric development by Manitoba Hydro. Under an agreement signed in 1977, Manitoba Hydro is required to reimburse the Department for 50 percent of the expenditures attributable to the adverse effects of the hydro projects. We note in Chapter 17 that the Department has not made any recoveries to date.

Debt servicing costs. In order to limit its exposure to unexpected increases in interest rates, the government increased the fixed-rate share of federal debt from 55 percent of gross debt in 1995 to 67 percent in 1998, where it remains today. In Chapter 8 we recommended that in light of its improved fiscal condition the government review its debt structure target to determine whether it is still appropriate. The chapter noted that based on the historical difference between long- and short-term rates, a five-percentage-point shift from fixed-rate to floating-rate debt could generate an annual saving of some $250 million.

For related Auditor General work, see: 2000 Chapter 8 Department of Finance — Managing Canada's Debt: Facing New Challenges; 2000 Chapter 15 Health Canada — First Nations Health: Follow-up; 2000 Chapter 17 Other Audit Observations.

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Service Quality

Chapter 1 – Main Points

1.1 The purpose of our audit was to see whether the federal government is providing better quality of service to Canadians, after a decade of commitments and a series of initiatives to improve it. In 1996, we provided a midcourse assessment of the government's progress. In the current audit, we revisited the same 13 services delivered by 10 government departments and agencies.

1.2 The most significant improvement since 1996 has been to make telephone services more accessible. Canadians are now able to obtain faster responses to their enquiries once their calls are answered. Despite that improvement, however, we are concerned by the high percentage of calls not answered when lines are busy and calls abandoned while the caller waits on hold to speak to an agent. At the Canada Customs and Revenue Agency (Taxation) the percentage of unanswered calls remains high at 54 percent, although it has improved since 1996, when it was 73 percent.

1.3 For most services delivered by means other than telephone, such as counter service, there was not enough performance information for us to determine whether service has improved. The Passport Office has measured some of its key results and demonstrated significant improvement in its performance. Many departments and agencies have taken initiatives since 1996 to improve service but have not sufficiently measured the results.

1.4 Departments and agencies need to consult more with their clients to identify the aspects of service that matter most to them, as well as the quality of service they expect. This information would help the service providers establish appropriate targets and indicators of performance to measure.

1.5 Communication to clients at points of service has improved since 1996. Canadians visiting these offices are better informed about the level of service they can expect. However, more attention is needed to informing them on what it costs to provide the services, whether targets have been met and how they can lodge and resolve complaints.

Background and other observations

1.6 The demand by Canadians for services of the federal government — such as enquiries about citizenship and immigration, Old Age Security, passports, weather or statistical information — has increased significantly since 1996. Volumes of service are higher in 10 of 13 service lines we audited. At the same time, the environment for delivering services continues to evolve with rapid advances in information technology and growing use of alternative methods of service delivery.

1.7 Telephone services have become increasingly prominent, while the use of counter services has declined. In the government telephone services we audited, the volume of telephone enquires climbed from 36 million in 1996 to 56 million in 1999, an increase of 54 percent. The numbers of written enquiries (mail, fax and e-mail), while still important in some services lines, are generally much lower.

1.8 Although service managers have acted on our 1996 recommendations and sought ways to make continuous improvements, none of the recommendations has been implemented fully. However, we noted a shift among public service managers and staff toward a stronger focus on service and innovation.

1.9 We were discouraged to find slow progress on the project to improve the government's telephone directory listings (the Blue Pages). The need to redesign them was identified in 1990 by the Public Service 2000 Task Force on Service to the Public.

1.10 Over the past three years, departments and agencies have provided Parliament with more information on service quality, and the information they report is more likely to be meaningful. But better information is needed on performance trends and on costs.

1.11 Since 1998, the Treasury Board Secretariat has given departments and agencies more guidance and support to improve service delivery. However, it has not systematically monitored progress across the government, and the information it has reported to Parliament has not been adequate to provide a clear understanding of progress in improving the quality of service to Canadians.

The response of the Treasury Board Secretariat on behalf of the government is included at the end of the chapter. The Secretariat indicates that the new Blue Pages telephone directory format will be implemented according to established publication schedules. The Secretariat agrees with our recommendations on measurement, client satisfaction and reporting. It indicates that it is working with departments to develop an approach designed to promote continuous improvement in service delivery across the government.

Human Resources Development Canada

Service Quality at the Local Level

Chapter 2 – Main Points

2.1 Human Resources Development Canada (HRDC) has made considerable progress in addressing service quality. National initiatives in recent years have included developing a policy to guide its approach to high-quality service, implementing a new service delivery network to make services more accessible to Canadians and setting out national service commitments to clients. Initiatives at the local level include upgrading the service-related skills of employees and using new technologies.

2.2 Although HRDC has defined national service commitments, we found they are not communicated consistently to clients at points of service. Further, local offices do not consistently inform clients about performance toward service delivery targets, the cost of services, and how to lodge complaints about the service received and obtain redress.

2.3 The Department does not have performance measures for all of its national service commitments. Measures of service performance focus on waiting time for counter services and the speed of processing and payment, but there are weaknesses in the measurement of both these indicators.

2.4 Despite improvements in the timeliness of Employment Insurance payments over the past three years, estimated incorrect payments have increased over this period from $4 to $6 for every $100 paid out. Available information shows that both underpayments and overpayments have increased for a variety of reasons, including a decline in the quality of information submitted by employers. We found that local office managers focussed mainly on speed of payment. There are neither performance targets nor measures of accuracy for the processing of claims at the local level.

2.5 Employment assistance services are increasingly provided by non-governmental organizations, under contribution agreements with HRDC. The agreements we reviewed do not set out service performance expectations or targets. Nor do they require the non-governmental organizations to be accountable for the quality of the services they provide.

2.6 There are gaps in the information the Department provides to Parliament on its performance in meeting its national service commitments. We also found gaps in the information that would help to provide context for the service performance that it does report. For example, information on the timeliness of paying Employment Insurance claims cannot be assessed in relation to information on the accuracy of payments.

Background and other observations

2.7 Almost one in three Canadians is a client of HRDC. Each year the Department processes 60 million to 80 million program claims and applications, sends about 100 million letters and pays out over $50 billion in various benefits. Most programs and services are offered at the local level, through one of the federal government's largest service delivery networks. It comprises 320 Human Resource Centres of Canada, 5,000 self-service kiosks, 21 telephone centres and 10 mail centres. Almost 80 percent of HRDC's 21,000 employees work at the local level.

2.8 To make continuous improvements in the quality of services, managers need to seek more feedback from clients at the local level through such means as client satisfaction surveys and analysis of client complaints. There is no policy for handling complaints in either the Employment Insurance Program or the Income Security Programs. However, the latter has started to develop such a policy.

2.9 The Department does not have the cost information it needs to manage the trade-off between the cost of its main services and their quality. We believe it needs to give more attention to developing and implementing action plans at the local level for continuous improvement in service quality.

The Department's responses to our recommendations are included in this chapter. For the most part, the Department agrees with the recommendations and indicates the steps that it is taking or intends to take to address them.

Citizenship and Immigration Canada

The Economic Component of the Canadian Immigration Program

Chapter 3 – Main Points

3.1 We noted serious deficiencies in the management and delivery of the economic component of the Canadian Immigration Program, whose purpose is to recruit highly qualified individuals who can readily contribute to our economy and adapt to our society. These deficiencies seriously limit Canada's ability to maximize the economic and social benefits that immigration affords, and to protect the integrity of its Immigration Program.

3.2 We found that immigration offices abroad are overtasked. They have much difficulty coping with the volumes of work and responsibilities assigned to them. Immigration levels set by the government are not met, and applicants are waiting longer and longer for their applications to be finalized — sometimes more than three years.

3.3 We noted weaknesses that leave Citizenship and Immigration Canada open to criticism of the quality and consistency of its decisions in selecting immigrants. Visa officers need better selection criteria, better training and better tools to assess immigrant applications more effectively. In addition, the Department does not sufficiently monitor the quality of their decisions. We noted significant differences in approval rates among officers processing similar cases.

3.4 Our audit revealed significant weaknesses in the management of medical assessments of prospective immigrants. Since our last audit in 1990, the Department and Health Canada have been unable to take a position on whether changes to standards for medical examinations are required to determine if an applicant poses a danger to public health and safety, or could place excessive demand on health care systems or social services. The same routine tests have been required for the last 40 years and the departments have not decided whether applicants should be routinely tested for any infectious diseases other than syphilis and tuberculosis. We are also very concerned about the lack of rigour and consistency in the overall management of medical assessment activities, including the procedures for supervising the designated local physicians who perform medical examinations of prospective immigrants abroad.

3.5 There are serious constraints on establishing criminality and security admissibility of prospective immigrants. Visa officers have little information and support to ensure that applicants are not likely to engage in criminal activities or endanger the safety of Canadians. Some people are thus admitted to Canada without reasonable assurance that they have not committed crimes abroad, engaged in espionage, subversion or terrorism, or been associated with organized crime.

3.6 The Department is particularly vulnerable to fraud and abuse. It has no effective measures in place to discourage people from submitting fraudulent applications, and visa officers often resort to detection methods that are costly. In addition, we found inadequate control over revenues, visa forms and computer systems.

3.7 Employees responsible for processing immigrant applications in offices abroad are deeply concerned about the present state of affairs. They feel they are not only going against their own values but also making decisions that could carry risks that are too high and that could entail significant costs for Canadian society.

3.8 Overall, it is highly questionable whether the Department has the resources and the operational capacity it needs to carry out the tasks required to meet the annual immigration levels set by the government.

Background and other observations

3.9 Citizenship and Immigration Canada is responsible for, among other things, setting immigration policy, selecting immigrants, and evaluating visitors' applications abroad. It also protects Canadians' health and safety by intercepting individuals who are not entitled to enter or remain in Canada, and returning them to their country of origin.

3.10 In 1999, approximately 190,000 immigrants were admitted to Canada. There are four broad components in the Immigration Program: family, economic, refugee, and other. Our audit focussed on the economic component, which accounts for 56 percent of landed immigrants each year. This component is aimed at recruiting skilled workers and business immigrants.

3.11 Immigration services abroad are provided through a complex network of 81 offices in Canadian embassies, high commissions and consulates. About 210 Canadian officers and 980 locally engaged staff work in these offices and process a large volume of immigration visas, visitor visas, and student and temporary employment authorizations each year. Several other federal departments and agencies also have responsibility for results achieved in the Immigration Program, including the Department of Foreign Affairs and International Trade, the Canadian Security Intelligence Service, the Royal Canadian Mounted Police and Health Canada.

3.12 It is disappointing to note that several of the deficiencies discussed in this chapter are similar to those we reported in 1990. Over the years, the government and the Department have undertaken a number of initiatives to remedy the situation, but without much success.

3.13 This situation requires immediate attention by both the Department and the government. On the one hand, the Department must improve its efficiency in processing immigrant applications. Offices abroad are buried in paperwork, and their outdated technology is a serious obstacle to improving performance. The Department needs much better information on the resources required to fulfil its responsibilities in processing applications. On the other hand, a significant investment of resources may be needed to correct the deficiencies we noted and to allow the Department to realize the potential efficiency gains we identified. It is particularly essential that in deciding on annual immigration levels, the government ensure a proper balance between the resources allocated to the Department and its federal partners and the workload required to meet those levels.

3.14 The Department's current review of the *Immigration Act* provides an excellent opportunity to correct some of the deficiencies. However, the challenge for the government and the Department is enormous and complex. Since Parliament has expressed a particular interest in the Program by requiring the tabling of an annual immigration plan, we encourage parliamentarians to follow the situation closely.

The responses of Citizenship and Immigration Canada, Health Canada, the Royal Canadian Mounted Police, the Canadian Security Intelligence Service and the Department of Foreign Affairs and International Trade are included in this chapter. They agree with our recommendations and note that initiatives are under way in several areas.

Indian and Northern Affairs Canada

Elementary and Secondary Education

Chapter 4 – Main Points

4.1 Indian and Northern Affairs Canada cannot demonstrate that it meets its stated objective to assist First Nations students living on reserves in achieving their educational needs and aspirations. For example, the Department does not have the necessary assurance that First Nations students are receiving culturally appropriate education. Moreover, the progress in closing the education gap for Indian students living on reserves has been unacceptably slow. At the current rate of progress, it will take over 20 years for them to reach parity in academic achievement with other Canadians.

4.2 To obtain assurance and effectively discharge its responsibilities, the Department needs to resolve several major issues. These include the need to articulate its role in education, to develop and use appropriate performance measures and to improve operational performance. In addressing these issues, the Department will need to further take into account the cultural and special needs of Indian students as well as socio-economic factors that can affect success in education.

4.3 The situation is complex and urgent, and the urgency will increase as more demands are placed on education as a result of an increasing population on reserves, and changes in technology and in provincial education programs upon which the Department relies. Although the Department has identified or started several projects for education reform, it must still respond with significant action to resolve these issues.

Background and other observations

4.4 The Department is empowered to take an active role in the provision of elementary and secondary education for Indian children living on reserves. Although it has chosen to rely on First Nations and the provinces for the design and delivery of appropriate education, the Department acknowledges that this approach does not diminish its responsibility and accountability.

4.5 For more than 100 years, various statutes, Indian treaties and government policies have shaped the mandate and responsibilities of Indian and Northern Affairs Canada for education.

4.6 Presently, about 117,000 students enrolled in elementary and secondary schools live on reserves. Current budgeted costs, not including school construction and maintenance, are about $1 billion annually.

Indian and Northern Affairs Canada acknowledges the importance of the issues identified in this chapter. It believes that Gathering Strength — Canada's Aboriginal Action Plan, and other planned education initiatives involving the Department, First Nations and provincial governments, will help close the education gap cited in this chapter.

Canada Customs and Revenue Agency

Travellers to Canada: Managing the Risks at Ports of Entry

Chapter 5 – Main Points

5.1 The Canada Customs and Revenue Agency has many efforts under way to modernize its Customs operations and to make effective use of technology. However, we found that it needs to make some significant improvements.

5.2 A well-articulated and comprehensive compliance strategy is a key element of promoting compliance. Customs does not yet have an overall compliance strategy that clearly describes its plans for encouraging voluntary compliance and that outlines its approach to responsible enforcement.

5.3 We found that risk assessment is incomplete: Customs does not have important information it needs from a variety of departments and agencies to fully assess the risks its inspectors face. It needs to know where the risks are highest so it can determine the best way to control them. We have recommended that Customs work more diligently to obtain information on the risks arising from the responsibilities it carries out at ports of entry on behalf of other departments — Citizenship and Immigration Canada, Health Canada and the Canadian Food Inspection Agency, for example — and include them in its national risk assessment. It also needs to have up-to-date memoranda of understanding with those departments, setting out their respective roles and responsibilities.

5.4 We also found that Customs inspectors at the border and at airports need to be better equipped to do their complex job. They must enforce customs and excise legislation and make a variety of decisions for many other government departments. In processing travellers, Customs inspectors have only a short time to make these decisions. Customs does have information, systems and training to assist its officers but the information is not shared consistently, the systems need improvement and the training is uneven.

Background and other observations

5.5 In 1998-99 the Customs program of the Canada Customs and Revenue Agency processed over 104 million travellers who entered Canada at ports of entry. About half were returning Canadian residents. Most travellers enter Canada by highway from the United States (79 percent) or at airports (17 percent). Since 1991-92 the number of travellers coming by highway has decreased, while the number of air travellers has grown by almost 48 percent, owing partly to the Canada-United States Open Skies Agreement.

5.6 Over the years, Customs' role has evolved from mainly collecting revenue to one of facilitating the entry of travellers and goods, while protecting Canadian society and promoting the competitiveness of Canadian businesses.

5.7 Customs operates in an environment that continues to change. To help it deal with change, it developed discussion papers in 1990 and again in 1998 as blueprints for the direction it would take in the future and the initiatives it would employ. Customs has taken some major steps toward reaching the goals it set for itself in 1990. It recently released a draft five-year action plan to implement the initiatives identified in its 1998 discussion paper.

The Canada Customs and Revenue Agency's responses to our recommendations are included in the chapter. The Agency agrees with the seven recommendations, and its responses describe a number of actions under way to deal with them.

Canada Customs and Revenue Agency and Department of Finance

Handling Tax Credit Claims for Scientific Research and Experimental Development

Chapter 6 – Main Points

6.1 In 1994 the government restricted the period for filing tax credit claims for scientific research and experimental development (SR&ED) to 18 months after the year in which taxpayers incurred them. The Canada Customs and Revenue Agency then received 16,000 additional claims, which represented $2.8 billion in credits for taxation years as far back as 1985.

6.2 Our audit revealed significant inconsistencies in the handling of these claims. These inconsistencies compromised the fairness of the review process. In addition, serious professional differences of opinion arose within the Agency on how to resolve a dispute with a claimant over a significant claim. The Agency did not demonstrate that it had effective mechanisms to resolve this type of difference among its officers on individual cases.

6.3 The lack of clarity about the eligibility of SR&ED projects has resulted in unresolved claims dating back to 1985. The claimed tax credits amount to hundreds of millions of dollars. Since the creation of the SR&ED program, there have been disagreements between claimants and administrators and among administrators on what constitutes an eligible activity or project, how thoroughly a science officer should review a claim and how much documentation is necessary to support a claim. Clearer rules are urgently needed to deliver and administer the program effectively and efficiently.

6.4 The Agency has recognized the need to improve the administration of the program. To this end, after consulting stakeholders, the Minister of National Revenue released an action plan in November 1998. The Agency created a new Directorate and appointed a new head of the program.

6.5 According to our audit, the Agency needs to improve the assessment of the risk that taxpayers' claims are ineligible so that science and audit staff can focus on claims with the highest risk. The Agency manages the risk of ineligibility by conducting completeness checks, risk assessments, audits and science reviews.

6.6 An evaluation of the SR&ED program, done by the Department of Finance and the Agency, may have overstated the impact of the program in generating additional spending on SR&ED. The evaluation also indicated that the program generated only a net increase in Canada's real income of between $20 million and $55 million per year.

Background and other observations

6.7 The federal government encourages research and development in the private sector through tax incentives. Taxpayers receive tax credits once they have incurred expenses on their projects.

6.8 The Agency's information systems show that in 1997 about 11,000 corporations and individual taxpayers claimed over $10 billion in SR&ED expenses and $2 billion in tax credits. Large corporations claimed 85 percent of total expenses.

6.9 A staff of 144 science advisors and 268 financial auditors review claims in 37 tax services offices across the country. Advisors determine whether the work is eligible under the program and auditors examine whether the related costs qualify.

6.10 A key objective of the Agency's 1998 action plan was to reduce uncertainty about the eligibility of science projects. As a result, the Agency and industry proposed a definition of an SR&ED project that, in our view, modifies the level of eligible SR&ED work and expenses and that could result in additional costs in tax credits. If any significant changes were made to the definition of an SR&ED project, they would need to be reviewed by the Department of Finance, which is responsible for the program's policy objectives, costs and related legislation.

The responses of the Canada Customs and Revenue Agency and the Department of Finance are included in the chapter. Their responses describe the action they have taken and will continue to take to address our recommendations.

Royal Canadian Mounted Police

Services for Canada's Law Enforcement Community

Chapter 7 – Main Points

7.1 The levels of service that the RCMP provides to the Canadian law enforcement community do not meet the needs of its clients. For example, the Canadian Police Information Centre (CPIC), a backbone system that provides information to police officers, courts, prisons and parole officers, was unavailable regionally or nationally 11 percent of the time last year. DNA analysis takes too long and is limited to only the most important cases. Thus, its full potential for public safety is not being realized. Backlogs of up to two months exist for inputting criminal history records and fingerprints into data banks. As a consequence, the criminal records and fingerprint data available to the police and others are not current. In addition, criminal record checks required by employers or volunteer organizations take too long.

7.2 It is imperative that senior management at the RCMP take action to eliminate backlogs in many of the services and improve efficiency. In particular, the RCMP needs to rationalize the number of laboratories in order to improve their level of service. Significant improvement is also required in performance measurement and the reporting of results. It is important that users, senior RCMP management and Parliament know these results.

7.3 The arrangement between the federal government and the provinces set in 1966 for these services needs to be rethought. It is time for a clear agreement among all the players in the law enforcement community — in the federal, provincial and municipal governments — on level of service, funding arrangements, user input, management and accountability. A new agreement will require the collaboration of all parties.

Background and other observations

7.4 The RCMP provides a range of services that are essential to the Canadian law enforcement community: police, courts, prisons and parole boards. These services include fingerprint identification, criminal history records, forensic laboratories, criminal intelligence and on-line access to data banks such as vehicle registration, drivers' licences, wanted persons and stolen property. In 1998-99, the RCMP spent approximately $122 million on these services.

7.5 There are a number of areas where the RCMP deserves credit for the way it has operated these services: it has kept the old CPIC information system operational while awaiting a new system; it has implemented new forensic techniques such as DNA analysis; it is developing a data bank for DNA; and it has made major upgrades to fingerprint identification and criminal history records systems.

7.6 Our last audit of services to the law enforcement community was in 1990. We made a number of recommendations to improve operational economy and efficiency. Attention has only recently been paid to many of our recommendations and others have not been addressed. These national services have also been reviewed several times over the past decade by the Solicitor General Canada, the Treasury Board Secretariat and the RCMP itself.

The RCMP agrees with the findings and indicates that it will be taking action.

Department of Finance

Managing Canada's Debt: Facing New Challenges

Chapter 8 – Main Points

8.1 Canada's debt management program is a well-run operation overall. But like any program that faces a changing environment, it needs to adjust. We have noted three areas where the Department of Finance needs to review its practices. These include:

- establishing a more complete range of performance measures to ensure that it has a sound basis for assessing how well the program is doing at meeting its objectives. Currently, the Department uses a variety of information internally but reports its performance for only one target — the ratio of fixed-rate debt to the total debt, now at two thirds;
- improving transparency to ensure that that there is a public accounting of not only the benefits of decisions on all aspects of debt management but also the costs. In recent years, the government significantly increased the proportion of fixed-rate debt and the level of foreign exchange reserves, and established targets for retail debt — all without disclosing the expected costs of these decisions; and
- modifying the management of strategic planning by consulting a range of outside experts to ensure that the Department obtains complete and independent advice.

Background and other observations

8.2 At the end of 1998-99, Canada's interest-bearing debt stood at $595 billion and the annual interest charges on that debt amounted to $41.4 billion. Managing the debt is the responsibility of the Department of Finance, working in conjunction with the Bank of Canada and the Canada Investment and Savings agency.

8.3 The principal objective of the debt management program is to provide stable, low-cost funding for government operations while keeping liquid the domestic markets for that debt. Another objective is to ensure that there are adequate reserves in the Exchange Fund Account to moderate volatility in the exchange rate on the Canadian dollar.

8.4 We found that the people who manage this program are a highly committed group. They closely monitor fiscal and economic developments that could affect debt management operations, and they consult regularly with financial market participants. They use sophisticated modelling techniques to identify debt management risks and to choose appropriate debt strategies.

8.5 Our audit dealt not so much with the choices debt managers make or the analysis underlying those choices as with the way they measure performance, the information they report, and the governance of the program.

8.6 Over the last few years, the government has made some major decisions in managing the federal debt. It has increased the proportion of longer-term, fixed-rate debt to two thirds of the total, some 18 percent higher than three years ago. While fixed-rate, longer-term debt makes the government's interest costs more predictable and reduces rollover risk, it generally costs more because long-term interest rates are normally higher than short-term rates.

8.7 Over the same three-year period, Canada's foreign exchange reserves have more than doubled, to US$25 billion. A higher level of foreign reserves improves the government's ability to promote stability in the value of the Canadian dollar, and also provides a larger pool of funds that can be used to finance unanticipated needs. But this comes at a cost, because the interest paid on foreign currency borrowing is normally higher than the interest earned on foreign reserve assets.

8.8 We also looked at retail debt — the sale of Canada Savings Bonds and Canada Premium Bonds. We noted that despite renewed attention to the sale of these bonds and the creation of a special operating agency to market them aggressively, we have seen no conclusive evidence that retail debt is cost-effective. We encourage the government to review the role of the retail debt program and its cost implications. We also encourage the government to disclose the results of this review when it completes it.

The Department's response to our recommendations are included in this chapter. For the most part, the Department accepts the thrust of our recommendations and indicates how it is responding to them.

Streamlining the Human Resource Management Regime

A Study of Changing Roles and Responsibilities

Chapter 9 – Main Points

9.1 We undertook this study to draw to Parliament's attention the urgent need to deal with long-standing issues and emerging challenges for human resource management in the public service.

9.2 The current framework governing human resource management in the "core" public service is unduly complex and outdated. Administrative systems are cumbersome, costly and outmoded. The framework is ill suited to an environment that demands flexibility and adaptability — an environment that faces significant challenges in human resource management and an increasingly competitive labour market.

9.3 Public service staffing is a major source of frustration both to managers and to employees. The system is rule-bound and inefficient. Managers need to have more authority in staffing, but they also must be more clearly accountable for their decisions. The interests of employees must be respected, but there is a pressing need to modernize and streamline the processes for staffing and related recourse.

9.4 Concerns about "fractured responsibility" for human resource management are long-standing. Responsibility and accountability for the changes needed to simplify, streamline and strengthen the current human resource management regime need to be clearly assigned and appropriately supported. This is particularly important in areas of divided responsibility.

- In human resource management, deputy ministers — leaders of the major organizations of government — have been seen as primarily responsible for administering a centrally prescribed framework. A significant step in their role is needed. Deputies should have pivotal responsibility for developing and maintaining a healthy work environment in their departments, and their responsibilities for human resource management need to be set out formally. Deputy ministers should be clearly accountable for the way their departments perform these responsibilities.
- The Public Service Commission needs to engage in an active dialogue with Parliament about changes in its activities and in the way it carries out its responsibilities for merit protection. This dialogue should encompass legislative reform of staffing. The Commission also needs to improve its reporting on departmental performance in adhering to the provisions and principles of the *Public Service Employment Act*.
- There is a need for the Treasury Board to strengthen its reporting to Parliament on the aspects of human resource management for which it is responsible. As well, there is a need to clarify the responsibility of deputies for reporting on the quality and effectiveness of human resource management in their departments.

Background and other observations

9.5 The core public service is now substantially smaller than at any time since the early 1970s. It has diminished by almost 100,000 employees in the last 10 years, to about 143,000 employees by the end of 1999. Government downsizing, devolution, privatization, limited recruitment and other measures were factors in this reduction. More than 50,000 public servants have moved from the "core" public service (for which Treasury Board acts as the employer) to "separate employers" like the Canada Customs and Revenue Agency.

9.6 Knowledge workers now constitute 55 percent of public servants (up from about 33 percent 15 years ago). They are bringing new expectations to the workplace, heightening the need for change.

9.7 The percentage of public service employees aged 45 to 54 has almost doubled over the last 14 years, and 70 percent of executives could retire within 10 years. This is generating concern about a potential leadership crisis. Moreover, youth are underrepresented: the percentage of public servants under 35 years of age is roughly half that in the Canadian work force.

9.8 In 1996, the Treasury Board Secretariat estimated that there were 840 separate pay rates and 70,000 rules governing pay and benefits. In 1997, there were more than 12,000 pages of instructions in the Treasury Board's personnel and pay administration manuals. It takes 119 calendar days on average to complete a closed competition in the core public service, not including added time to deal with any appeals. This is about twice as long as reported by selected quasi-public organizations. For a new position that needs to be classified, staffing takes 230 calendar days on average — almost eight months.

In its corporate response, the government agrees on the need for a strong human resource management framework and on the importance of the health of the public service. It is more optimistic than the Auditor General on some matters, and notes recent initiatives to address some issues. In a supplementary response, the Public Service Commission indicated its continuing efforts to improve staffing systems and to engage in a dialogue with Parliament.

Transport Canada

Airport Transfers: National Airports System

Chapter 10 – Main Points

10.1 Our audit examined how Transport Canada handled the transfers of Canada's largest and busiest airports between 1992 and 1999. These airports make up Canada's National Airports System. Under the transfer agreements, Transport Canada retains ownership of the airports but leases out their management, operation and development to bodies known as airport authorities. Our audit concentrated on the financial and oversight aspects of airport transfers in the National Airports System (NAS), not on security and safety.

10.2 We found many significant weaknesses in management practices. Among our most important observations are the following:

- Before it started the lease negotiations for each airport transferred in the second round, and any renegotiations, Transport Canada did not determine the fair market value of the airport assets and business opportunities it was transferring. Such information is fundamental to both negotiating and renegotiating leases and, in our view, its absence represents a clear departure from sound management practice. The quality of information for making decisions on such things as rent is significantly impaired as a result.
- The Department has renegotiated four leases, at a cost to the government of about $474 million in forgone rent ($342 million net present value). The renegotiated deals do not adhere to some of the government's key directions. Further, Transport Canada cannot demonstrate how the deals for all of the transferred airports are equitable, uniform, consistent and fair, one with the other, as the government directed.
- As a result of renegotiations, the government has, in effect, agreed to a reduction of future revenues of the Crown and to the funding of significant capital projects. The information presented to Parliament on forgone rent and the funding of capital projects was fragmented, incomplete and, in some years, non-existent.
- From 1992 to 1999, the government continued to provide financial support to most of the transferred airports. It provided to the airport authorities a total of $360 million, including $118 million in rental credits at Lester B. Pearson International Airport toward a number of renovation projects. The government received a net total of $593 million in rent from airport authorities in this period.
- As assessed by its consultants, the Department's preliminary financial results indicated that five years after transferring the first four airports in 1992, the government's most likely financial position varied significantly after each transfer — from better off to worse off. Although the analysis had been completed — as part of three separate studies with a total cost of $680,000 — a year before our audit ended, we found that Treasury Board and Cabinet had not yet seen the results. The Department has yet to conduct any such analysis for any of the other transferred NAS airports.
- We are concerned that eight years into the transfer process, Transport Canada has yet to clearly define its role as landlord and overseer of the National Airports System. Its handling of key emerging issues such as those related to airport improvement fees, subsidiaries and sole-source contracting has generally been inadequate and, until 1997, was virtually non-existent. Treasury Board and/or Cabinet have received little information on these issues, and some of what they have received has been incomplete and inaccurate.

Background and other observations

10.3 Airports in the National Airports System have been transferred in two rounds. In 1992, Transport Canada leased out the management and administration of four major airports — at Montreal (Dorval and Mirabel), Vancouver, Calgary and Edmonton — to four "local airport authorities". The second round began in 1996 with the transfer of Toronto's Lester B. Pearson International Airport. Since then, 12 other airports, including those at Ottawa, Victoria, Winnipeg and Moncton, have been transferred to "Canadian airport authorities". At the end of our audit, the last four NAS airports — Gander International, Québec/Jean-Lesage International, Fredericton and Prince George — remained to be transferred.

10.4 Although Transport Canada began transferring airports in the late 1980s and has been leasing out airports since 1992, only in 1994 was the National Airports Policy issued. The government saw transfers as a means of funding expansion in the vital National Airports System, making airports more competitive and viable and giving communities the flexibility to use them as tools for economic development. At the same time, Transport Canada would be able to oversee the entire System.

10.5 Transport Canada notes that a number of aspects of the transfer initiative have been positive and that airport authorities have made some strategic choices that have also represented difficult operational decisions. These included, for example, the expansion of passenger facilities, liberalization of operating policies and relocation of scheduled traffic from one airport to another.

The Department's responses to our recommendations are included in this chapter. While the Department agrees with the majority of the recommendations and indicates the steps that it is taking or intends to take to address them, it takes a different position on a number of issues as reflected in its response following paragraph 10.106.

Human Resources Development Canada

Grants and Contributions

Chapter 11 – Main Points

11.1 Our audit examined four of the grant and contribution programs included by Human Resources Development Canada (HRDC) in its 1999 internal audit. We concluded that there were widespread deficiencies in the management control frameworks of all four programs. Our findings, which covered the period to December 1999, confirmed — and extended — those of the Department's 1999 internal audit. Among other things, we found breaches of authority, payments made improperly, very limited monitoring of finances and activities, and approvals not based on established processes.

11.2 The results that projects were to achieve were often not defined in terms that could be measured. Even when they were (as in the case of Youth Internship Canada), results were not measured systematically to provide managers with feedback for making necessary improvements and to provide a basis for accountability. Some evaluation of these programs had been done. The evaluations of the Sectoral Partnerships Initiative and Transitional Jobs Fund resulted in some program changes. However, we could not support the Department's findings on the effectiveness of the Transitional Jobs Fund.

11.3 The Department's review of 37 "problem files" identified by its internal audit for further follow-up established few cases where money could be recovered from project sponsors, because most payment errors resulted from inappropriate practices by departmental staff. Many of these practices are not acceptable — proceeding without required approvals, relying on oral contracts and paying for ineligible expenses, for example. Reporting by HRDC on the results of the review focussed on overpayments and provided little information on the problems found.

11.4 Current management is committed to addressing the serious weaknesses in the management control framework in the period up to December 1999 that our audit and the 1999 internal audit identified. HRDC has corrective action planned and being implemented in response to the problems identified in its 1999 internal audit. The actions and plans also address the deficiencies we found in our audit.

11.5 The Department has made good progress toward meeting the commitments in its Six-Point Action Plan announced in February 2000. Management is enhancing the tools and the support available to staff to improve their ability to do their jobs. Work is also proceeding on additional initiatives that expand or complement the original action plan.

11.6 HRDC management will need to sustain its efforts and attention if it is to achieve the broad-based systemic change the action plans envision. Beyond the immediate corrective steps the Department has taken, it needs to make today's extraordinary effort tomorrow's routine and fundamentally change its day-to-day approach to the delivery of grants and contributions. Management and staff of the Department need to continue the current focus on the fundamentals of control. Minimum standards of control must be in place for all projects. However, time and effort needed to review and assess proposals, monitor progress, assess performance, and evaluate results should vary with the amount of federal funding involved and the risks associated with the project.

11.7 HRDC has established an innovative system of tracking performance — one that allows for tracking improvements in the management and administration of grants and contributions. Ongoing performance tracking and internal audit are essential tools for assessing improvements in the management control framework.

Background and other observations

11.8 HRDC spent about $3 billion in 1999–2000 on grants and contributions for programs such as job creation and youth employment, as well as for employment benefits and support measures. We examined in detail four of about 40 grant and contribution programs run by HRDC: the Transitional Jobs Fund and its successor the Canada Jobs Fund, Youth Internship Canada, Social Development Partnerships and the Sectoral Partnerships Initiative.

11.9 HRDC's problems in managing grants and contributions worsened in the 1990s; audits in the late 1990s show the persistence of problems identified in the past. An internal audit in 1991 and its follow-up in 1994 led to little corrective action. Management's priorities then were to implement major policy initiatives and improve service; there was not enough emphasis on maintaining essential controls while red tape was being reduced and service improved.

11.10 More work is required to determine the resources needed to deliver grant and contribution programs. The Department's corrective actions and plans are designed to strengthen capacity by providing staff with appropriate support, training, tools and systems. HRDC is also taking steps to bring in new staff at appropriate levels. It plans to analyze workload to ensure that it has adequate resources in place.

11.11 The programs we audited had made available general information about their existence. For the most part, the promotion of these programs was passive and, in the case of some programs delivered at the local level, varied significantly among regions and local offices. Information was not always provided in a way that would promote equal access to the programs.

The chapter includes the Department's general response and its responses to specific recommendations.

HRDC has responded positively to our findings and recommendations and affirmed that it will continue to sustain the progress shown to date in meeting the commitments of the Action Plan and related initiatives.

Values and Ethics in the Federal Public Sector

Chapter 12 – Main Points

12.1 Canadians expect that the federal public sector will be a world leader in promoting sound values and ethics in government. Ensuring sound values and ethics is a vital part of good governance that supports and respects fundamental democratic values.

12.2 A comprehensive and sustained dialogue with Canadians and throughout the federal public sector is required. We propose a framework for action that includes eight priorities. We suggest that action start with the following two priorities.

- Reinforce leadership for promoting ethical conduct by, for example,
  - clarifying the principle of ministerial responsibility and the responsibilities of officials; and
  - identifying the responsibilities of senior and line managers for promoting sound values and ethics.
- Re-invigorate an extensive dialogue on values and ethics that emphasizes the primacy of the principles of respect for the law, the public interest, and public service as a public trust.

12.3 Sound values and ethics are needed to maintain probity. There is a strong foundation of values and ethics in the federal public sector. This foundation should not be taken for granted. The government is taking steps to maintain sound values and ethics. Most of these measures are limited or in their preliminary stages. To increase the likelihood of success, values and ethics initiatives have to be carefully developed, implemented, and monitored by using the best available practices. A prerequisite for success is the leadership of parliamentarians, ministers and senior officials.

12.4 The federal government needs to develop an implementation plan with deadlines to address values and ethics priorities across the public sector and in federal entities. We will continue to monitor and report to Parliament on values and ethics initiatives in the public sector.

Background and other observations

12.5 We focussed on values and ethics initiatives that promote ethical decision making that is in the public interest. These initiatives would form part of a comprehensive approach to good governance in federal entities.

12.6 In May 1995 we reported to Parliament on ethics and fraud awareness in government. In 1996 the government completed A Strong Foundation: Report of the Task Force on Public Service Values and Ethics (Tait Report). These reports contributed to forging a consensus on the values and ethics issues that need to be addressed in the federal public service.

12.7 Ensuring ethical decision making is the responsibility of all members of the federal public sector and private sector companies as well as organizations and individuals who receive funds from or do business with the public sector.

12.8 Major changes are occurring in the way government organizes and delivers its programs. These changes include deregulation, downsizing, increasing delegation of decision making to officials in the field, contracting

out and entering into partnerships with the private sector. As well, the government is using new technologies, and its work force is becoming more mobile and diverse. As a result, the government is increasingly relying on a strong foundation of values and ethics to make decisions in the public interest.

12.9 As part of good governance efforts, several departments are implementing major values and ethics initiatives. Others do not assign a high priority to developing comprehensive values and ethics initiatives. We believe that all entities should objectively assess and report on values and ethics.

The responses of the Privy Council Office, the deputy minister co-champions for values and ethics in the public service, the Secretary of the Treasury Board and the Ethics Counsellor are included at the end of this chapter. They agree with our assessment of the initiatives under way and acknowledge that there is an important need for further work.

Assessment of Financial Management Capabilities in Departments

Chapter 13 – Main Points

13.1 Our audit assessed the financial management capabilities in five government departments against the criteria established in the Financial Management Capability Model published in April 1999. We found that in each department gaps remain between current expectations for financial management and the existing capabilities of the departments. The capabilities needed to meet current expectations are consistent with those we have described in the Control Level of the Financial Management Capability Model.

13.2 We also noted that departments are at the initial stages of developing the capabilities needed to meet the requirements of the government's Financial Information Strategy and the Modernization of Comptrollership initiative. These capabilities are consistent with the capabilities described in the Information Level of the Financial Management Capability Model.

13.3 Based on the level of financial management capabilities in the departments that we audited, the challenges to be met in improving financial management are substantial. Only one department is close to meeting all the government's current expectations and none currently have the capabilities needed to meet the goals of the Financial Information Strategy and Modernization of Comptrollership initiative. Put simply, it will be very difficult to make government more businesslike if stronger financial information is not well integrated into both day-to-day management and accountability reporting to Parliament. The achievement of these capabilities throughout government will require the strong commitment and sustained support of the Treasury Board Secretariat, Privy Council Office and deputy ministers.

13.4 Our Office has expressed concern about the need to improve financial management in government for a number of years. Similarly, the Public Accounts Committee has noted, "There has been a common call for improvements in financial information to support government decision making." We have noted an increase in the number of initiatives being undertaken and a heightened sense of urgency to develop strong financial management capabilities. The government and the departments themselves have much to do in this area. The success of Results for Canadians — A Management Framework for the Government of Canada, the Financial Information Strategy and the Modernization of Comptrollership initiative will depend on this action.

Background and other observations

13.5 Financial management is an important component of what financial and program managers in departments and agencies do in delivering programs and services and exercising stewardship over the resources entrusted to them. An integrated and systematic approach to financial management allows managers to have the information to make sound decisions, manage risks well, and account properly for the use of public resources. Until recently, financial management has focussed on controlling budgets and processing transactions. Today's rapidly changing environment makes it urgent for the government to implement effective financial management.

13.6 We noted that departments had not implemented adequate monitoring of the effectiveness of their control frameworks. Such monitoring, together with providing assurance to senior management that control mechanisms are operating as designed, is an important component of sound management, particularly in a period of significant change that accompanies the implementation of new financial systems.

13.7 One of the most common gaps that we found in departments was the limited ability to combine or integrate financial and operational (non-financial) information. This gap has clear implications for individual

departments and the government as a whole. First, if departments cannot integrate this information, they cannot give Parliament and the Canadian public a realistic picture of how much it has actually cost to produce a given result or deliver a given level of service. Second, without integrated information, senior management cannot readily forecast the downstream costs of major decisions — for example, a decision to increase or decrease the level of service of a program.

13.8 We also found that departments had not established a clear vision or strategy for the transformations that are to take place — an essential first step in managing the changes. Similarly, departments have not determined the skills and capacities that are needed to carry out these changes or whether there is a gap between what is needed and what they currently possess. We also noted that departments had not implemented specific measures against which progress in developing strong financial management capabilities can be tracked.

The response of the Treasury Board Secretariat, on behalf of the government and the five departments audited, is included at the end of this chapter. The response indicates that the recommendations are consistent with the current improvement plans and government expectations of sound management practices.

The responses of Canadian International Development Agency, Environment Canada, Fisheries and Oceans, Health Canada and Transport Canada are included in the case studies in the chapter. The responses indicate an intent to address the gaps identified and that in many cases initiatives are already under way.

Canadian International Development Agency

Managing Contracts and Contribution Agreements

Chapter 14 – Main Points

14.1 In CIDA's Geographic programs, contracts and contribution agreements with Canadian executing agencies are used to implement development projects. Where CIDA used a competitive process for selecting executing agencies, with some exceptions the process was properly conducted. However, we observed instances where contracts did not comply with the Treasury Board Contracting Policy or the Government Contracts Regulations.

14.2 An authority framework, similar to that for the contracting process, is not in place for CIDA's contribution agreements. The terms and conditions for grants and contributions related to the Geographic programs are very general and provide no direction on how and when to use contribution agreements. They include a provision that contributions are to be approved in accordance with regular departmental procedures and authorities; however, exceptions can be dealt with internally by CIDA. Consequently, CIDA's use of contribution agreements to select executing agencies often varied from its stated internal policies or practices. CIDA can select executing agencies by means of contribution agreements, which are, in effect, the same as sole-source contracts that would not be permitted under Government Contracts Regulations. This was the case in about half of the contribution agreements we examined.

14.3 CIDA project officers attach considerable importance to monitoring the agreements under their responsibility. They commonly use monitors under contract to review and report on progress, and they insist on receiving reports from Canadian executing agencies as required.

14.4 For the Voluntary Sector program, the Canadian Partnership Branch obtains reasonable information on the financial health of its Canada-based partners. However, limited information is received on projects that were funded, on the amounts spent on them, and on results obtained. CIDA bases its funding primarily on historical levels rather than on partners' performance. More meaningful and accurate information on the Canadian Partnership Branch is needed in CIDA's Performance Report to Parliament.

Background and other observations

14.5 CIDA is responsible for managing about $1.8 billion of Canada's international assistance. Approximately $700 million of that amount goes to Geographic Branches for programs aimed at countries in Asia, Africa and Latin America. Most of this amount is spent through contracts and contribution agreements with third parties, referred to as executing agencies, to deliver development assistance projects. Another $260 million goes to the Canadian Partnership Branch for grants and contributions to organizations to carry out their own aid programs.

14.6 In 1998, our Office published a report that commented on results-based management related to Geographic programs. We concluded that progress in managing for results was evident but uneven.

14.7 This audit focussed on how CIDA's Geographic Branches manage contracting and other types of agreements for goods and services, including the selection of Canadian executing agencies to deliver projects. It also examined the control framework for agreements in the Canadian Partnership Branch's Voluntary Sector program. The audit aimed to assess whether CIDA's contracting/contribution agreement processes respect Government Contracts Regulations, Treasury Board guidelines and its own policies; whether they are fair and transparent; and whether they meet operational requirements and development needs.

The Agency's responses to our recommendations are included in this chapter. The Agency accepts the recommendations and indicates the actions that it is taking or intends to take to address them.

Health Canada

First Nations Health: Follow-up

Chapter 15 – Main Points

15.1 Health Canada has initiated action to address our observations and recommendations on First Nations Health (1997 Report, Chapter 13). However, we are concerned that the Department has not yet made sufficient progress to fix many of the problems we identified. Continued and sustained effort is required to ensure that all the recommendations are fully implemented.

15.2 We found that:

- the point-of-service system, a key mechanism in the administration of pharmacy benefits and the control of prescription drug use, is now fully operational. It provides drug utilization warning messages to assist pharmacists in deciding whether to dispense prescriptions. As a result, a number of prescriptions have not been filled; and
- a pre-determination process for dental benefits, implemented nationally since 1997, has resulted in substantial savings.

15.3 However, we observed that:

- the management of contribution agreements for the delivery of community health programs is still weak;
- the management of transfer agreements still needs improvement; and
- Health Canada has not adequately monitored the drug utilization warning messages that pharmacists have overridden. Nor has it undertaken sufficient analysis of the effectiveness of the messages to determine whether any adjustments are warranted.

Background and other observations

15.4 Health Canada delivers health services and other related services to over 600 First Nations communities. It delivers them mainly through community health programs (including those transferred to community control) and the Non-Insured Health Benefits program, which covers such benefits as prescription drugs, dental care, medical transportation, and other benefits. Together, these services represented spending of just over $1.0 billion in 1998-99.

15.5 Our 1997 audit found that Non-Insured Health Benefits program expenditures were not well managed and, in most areas, not properly controlled. In particular, significant weaknesses in the management of pharmacy benefits allowed clients to access extremely high levels of prescription drugs. We noted numerous reports of prescription drug addiction and prescription-drug-related deaths of First Nations individuals in several provinces. We also found weaknesses in the management of contribution agreements for the delivery of community health programs as well as in the management of transfer agreements.

15.6 Our follow-up found that the Department has made limited progress in ensuring that reports required under separate contribution agreements are provided. We also found that the Department's performance reports contain limited information on the status of community health programs, including outcomes achieved.

15.7 With respect to transfer agreements, we found that community health plans are still not being updated when agreements are renewed, and requirements for audits, annual reports and evaluations often are not met.

15.8 The Department developed and implemented a protocol for following up with clients, physicians, pharmacists and professional bodies on cases that suggest possible prescription drug misuse. This has had some positive impact, with some regions starting to show a decline in the number of cases of individuals accessing large amounts of prescription drugs. However, as management was unsure of the appropriateness of the approach in the absence of either client consent or specific statutory authority for the Non-Insured Health Benefits program, this intervention was stopped in May 1999. There are still cases of program clients accessing large amounts of prescription drugs, and these require follow-up.

15.9 The Department was slow to develop and incorporate an audit strategy based on an appropriate assessment of risks in its new pharmacy and dental claims-processing contract. It also failed to ensure that the contractor perform the on-site audits of pharmacies and dental providers that the contract requires. We found few such audits undertaken since December 1998 to provide assurance that expenditures claimed had been incurred for the intended purposes.

15.10 Progress to improve efficiencies in administering medical transportation benefits has been limited.

Health Canada's responses to our recommendations are included in this chapter. The Department is continuing with corrective action in response to our 1997 recommendations and has agreed to take action in response to our two new recommendations.

Follow-up of Recommendations in Previous Reports

Chapter 16 – Main Points

16.1 This chapter presents our follow-up of six audits originally published between 1995 and 1998. In the final volume of this year's Report, due to be tabled in December 2000, we will publish an additional follow-up chapter and provide a general conclusion of the government's progress in addressing the concerns we raised in previous reports.

16.2 The policy and legislative environment of the financial services sector has changed considerably since our 1995 and 1997 Reports. Canada's regulatory system for this sector is sound and the Office of the Superintendent of Financial Institutions (OSFI) has taken many satisfactory steps to deal with our previous recommendations. However, with all the expected changes that will affect the financial services sector, OSFI's ability to supervise and regulate could be challenged in the short term. Furthermore, in this changing environment, recruiting and retaining employees will become a bigger challenge.

16.3 Although progress has been slow on addressing the recommendations of our November 1995 chapter — Revolving Funds in the Parliamentary System: Financial Management, Accountability and Audit — recent initiatives by the Treasury Board Secretariat substantially address our recommendations.

16.4 The Canada Industrial Relations Board, formerly known as the Canada Labour Relations Board, has made progress in addressing our concerns about financial control problems. Payment to former members was the single biggest expenditure of the Canada Industrial Relations Board's $1.7 million in transition costs. We also observed that the government, as a whole, has not taken adequate action to improve the accountability framework governing travel and hospitality expenditures of senior Governor in Council appointees.

16.5 National Defence has made significant progress in addressing its lack of plans and priorities for its capital acquisition program. The management of individual major capital projects has also improved. The Department has gone beyond its original commitments to make improvements. Nevertheless, officials estimate that the Department is still about $750 million a year short of the amount needed to modernize and maintain readiness. The "hard choices" referred to in 1998 have been identified, but not all of them have been made.



Other Audit Observations

Chapter 17 – Main Points

17.1 The *Auditor General Act* requires the Auditor General to include in his Reports matters of significance that, in his opinion, should be brought to the attention of the House of Commons.

17.2 The "Other Audit Observations" chapter fulfils a special role in the Reports. Other chapters normally describe the findings of the comprehensive audits we perform in particular departments, or they report on audits and studies of issues that relate to operations of the government as a whole. This chapter reports on specific matters that have come to our attention during our financial and compliance audits of the Public Accounts of Canada, Crown corporations and other entities, or during our value-for-money audits.

17.3 The chapter normally contains observations concerning departmental expenditures and/or revenues. The issues addressed generally involve failure to comply with authorities, and the expenditure of money without due regard to economy.

17.4 Observations reported in this chapter cover the following:

- Space was leased at an excessive cost for a Canada Business Service Centre in Sydney, Nova Scotia that was never operated as intended;
- Inappropriate netting of benefit payments obscures the true size of government revenues and expenditures and complicates the evaluation of fiscal measures;
- Government programs and spending for Parc Downsview Park Inc. lack clear parliamentary authority;
- Non-recovery of expenditures for safe drinking water on Indian reserves affected by Manitoba Hydro development; and
- Significant risk that a $113 million relocation project will not adequately address the needs of the Innu.

17.5 Although the individual audit observations report matters of significance, they should not be used as a basis for drawing conclusions about matters we did not examine.



Governance of Crown Corporations

Chapter 18 – Main Points

18.1 The management of Crown corporations has improved since the *Financial Administration Act* was amended in 1984 to strengthen their control and accountability framework. Nevertheless, further improvement is needed in some important areas like strategic and corporate planning and the measurement and reporting of performance. We found a need for special attention in three areas that are central to the way Crown corporations are governed:

- Boards of directors of Crown corporations need to be strengthened. They reflect Canada's diversity but lack other key skills and capabilities that are needed to function effectively and to carry out their important responsibilities under the *Financial Administration Act* for the affairs of the corporation. Corporations need to better define their requirements for skills and capabilities and communicate them to the government; the government needs to act on those requirements. Boards of directors also need to be more engaged in the selection of their chair as well as the corporation's chief executive officer (CEO). Without meaningful board involvement in the selection of the chief executive officer, his or her accountability to the board is weakened and corporate governance as a whole suffers.
- Audit committees in Crown corporations play a crucial role in financial reporting, risk management, and internal control. They are the "engine" of the board of directors. Yet half of the audit committees we examined were operating below an effective level. Serious weaknesses in an audit committee can undermine the overall strength of the board.
- The government has a limited capacity for reviewing and challenging Crown corporation corporate plans as a basis for approving them. Corporate plans set out the strategic direction of a Crown corporation and are intended to be the cornerstone of the Crown corporation control and accountability framework under the *Financial Administration Act*. The government needs to strengthen its capacity to review and challenge these plans since, once approved, they are the basis for holding Crown corporations accountable for conforming to government policy and for their overall performance. Furthermore, there is a need for a more systematic and regular review of the relevance of Crown corporation mandates.

18.2 Weaknesses in all of these areas impede the successful implementation of Part X of the *Financial Administration Act* and the quality of Crown corporation governance. They have been raised many times before, in Auditor General reports and other external studies and reports, but the weaknesses remain. Crown corporation CEOs and chairs view the resolution of these issues as critical and they need to be addressed with urgency. Other industrialized countries have moved ahead of Canada in these areas of Crown corporation governance.

18.3 Corporate governance refers to the process and structure for overseeing the direction and management of a corporation so that it carries out its mandate and objectives effectively. It is critical that a Crown corporation, as a public sector body, be governed well if taxpayers' money is to be well spent. Good corporate governance is important to maximize performance, prevent financial losses and help to achieve the corporate mandate. But it is in times of difficulty, turbulence and change that good governance is most critical.

Background and other observations

18.4 Crown corporations are distinct legal entities wholly owned by the government. They operate in many sectors, including transportation, agriculture and culture. They have more autonomy to manage than most other

government entities so they can operate in a more commercial manner. A board of directors oversees the management of each corporation and holds management responsible for the corporation's performance. The government retains power and influence over Crown corporations in areas like appointments, remuneration for chief executive officers and directors, and approval of plans and budgets.

18.5 Crown corporations account for a significant portion of government activity. There are currently 41 federal Crown corporations (not including subsidiaries), employing 70,000 people. In aggregate (excluding the Bank of Canada), they manage $68 billion in assets and $61 billion in liabilities. While Crown corporations represent a significant opportunity to achieve public policy and other goals and to generate revenue, they also represent significant exposure to potential financial losses and other risks.

18.6 In addition to our continuing work as auditors and examiners of most Crown corporations, we looked in detail at a representative group of 15 Crown corporations. We also compared Canadian Crown corporations with state-owned enterprises elsewhere, and used the results of other research, studies, audits and roundtables to support our findings. In addition, we summarized the results of special examinations — a type of value-for-money audit of Crown corporations — carried out between 1984 and 2000.

In view of the fact that many of the recommendations deal with Governor in Council discretion, no detailed responses to the recommendations were made. Overall, the Privy Council Office states that the government has made strides in a number of corporate governance areas, and is committed to examining measures to address areas needing improvement and to ultimately strengthening governance in Crown corporations. The Privy Council Office also states that it is paramount to ensure that appointments to Crown corporations result in strong boards of directors, and that the appointment process for Crown corporations be inclusive of all interested parties, bearing in mind that appointments remain at the discretion of the government.

Reaction from Crown corporation chairs and CEOs indicate that, for the most part, they agree with the recommendations directed specifically at them.

Reporting Performance to Parliament

Progress Too Slow

Chapter 19 – Main Points

19.1 Federal departments and agencies have made some progress in reporting on their performance to Parliament, but we are disappointed at its present pace. Continued at this rate, it would take too long for good reporting to become routine. We recognize that reporting on performance is not easy, and it takes time. Still, we believe that the effort deserves more attention: members of Parliament need information on what Canadians are getting for their taxes in order to hold the government to account. Good performance reporting has become an essential part of modern democratic systems.

19.2 To that end, it may be time for legislation. Several jurisdictions in Canada now have legislation requiring government to report on its performance to the legislature. Legislation highlights the importance of good reporting and puts it on a more permanent and stable footing.

19.3 Our examination of the Estimates documents — reports on plans and priorities and departmental performance reports — of 47 departments and agencies over the past four to five years found the following:

- While there has been progress, few departments set out concrete statements of what they expect to achieve and then report back specifically against those expectations.
- In reporting what they have accomplished, departments focus too much on listing activities and outputs and too little on linking them to and reporting on the intended outcomes.
- Reporting makes too little use of evaluation findings on the results that activities are accomplishing and on how programs are contributing to outcomes.
- There is little linking of financial and non-financial performance information; most accomplishments are not costed.
- Performance reports lack balance. Most departments report only the "good news" and make little mention of performance that did not meet expectations. As members of Parliament have said repeatedly, reports that present only good news are not credible.

19.4 We noted that the Treasury Board Secretariat has provided leadership for reporting. And we did find pockets of good reporting and a number of strengths in the present regime of reporting. Nevertheless, after five years of experimenting, departmental reporting overall has only improved modestly.

19.5 Three factors stand out as contributing to the current weak state of reporting:

- basic principles of good reporting are not understood or applied;
- performance reporting has political dimensions; and
- there are few incentives for good reporting or sanctions for poor reporting.

19.6 In addition to considering legislation, in our view the government needs to make the following changes in the present reporting regime:

- reach agreement on principles for reporting performance information;

- give more attention to the right incentives for incorporating evidence-based approaches into reporting;
- ensure stronger oversight by the Treasury Board Secretariat; and
- seek to enhance the involvement of parliamentarians in reviewing performance plans and reports.

Background and other observations

19.7 Federal departments submit performance reports to Parliament in the fall every year, outlining what they have accomplished. The reports are subject to consideration by their respective parliamentary standing committees. Review of the reports at that time would enable parliamentary committees to make recommendations for the upcoming spending decisions to be announced by the government later, in the Budget. In the spring, after the Budget, departments submit reports on their plans and priorities, describing what they are setting out to achieve in the upcoming year and beyond.

19.8 In 1997 we first reported on this new regime for reporting to Parliament. We found that a good start had been made and that the basic framework used for reporting was sound.

19.9 Credible reporting on performance has a number of benefits: it can enhance accountability and trust in government, provide information for improved programs and services and better parliamentary scrutiny of them, and serve as an incentive for departments and agencies to manage for the results they have set out to achieve.

19.10 On two occasions in recent years, the Standing Committee on Procedure and House Affairs has issued reports with recommendations on ways to provide for greater involvement of parliamentarians in the review of the Estimates.

19.11 The President of the Treasury Board annually tables, along with the departmental performance reports, a report in Parliament on government performance measurement, reporting and results-based management. In recent years it has provided useful performance information on collective results — areas where several departments or several governments are working collectively toward a result.

19.12 The Treasury Board Secretariat has taken important steps toward more electronic reporting. It needs to encourage departments to make greater use of this vehicle, and gather and share good practices.

The response of the Treasury Board Secretariat, on behalf of the government and the departments audited, is included at the end of this chapter. The Secretariat has responded positively to our chapter and recommendations therein. The Secretariat accepts our recommendations and indicates the actions that, where appropriate, it is taking or intends to take to address them.

Managing Departments for Results and Managing Horizontal Issues for Results

Chapter 20 – Main Points

20.1 In our examination of five large federal departments and 10 programs, we found that several departments have made tangible efforts to focus on results. There was evidence of commitment and support by senior management, extensive planning activities, identification of key performance indicators and some measuring against them.

20.2 However, we found that only 4 of the 10 programs have information on results that is used routinely. In most departments we examined, the persistent state of planning for results — rather than actually managing for results — has meant that progress in using information on results has been limited since we reported on this issue in 1997. It is time for departments to move beyond planning. There is a need for more widespread measurement of the results they accomplish and use of that information to improve programs.

20.3 The government needs to ensure that the evaluation function plays a more central role in its move toward managing for results. The evaluation capacity in many departments has atrophied at a time when more effort, not less, is needed to measure the results of programs.

20.4 More and more, the government needs to manage initiatives that span two or more federal departments. "Horizontal" issues like the Federal Disability Agenda are often key priorities of government. Our study of three horizontal issues found that, like many departmental programs we audited, they were not being managed for results.

20.5 Over the past several years, the government has been clear about the importance of making results central to good management and accountability, and this vision is increasingly being accepted across government. However, bringing that recognition into practice will require central agencies to play a stronger role. They need to provide encouragement and support for departments to move beyond merely planning for results. We found the Treasury Board Secretariat's leadership too limited and its support too dispersed to be of real help to departments trying to manage for results. Nor does the Secretariat have a strategy for dealing with horizontal issues. It needs a strategic approach to these issues, given their growing presence in government.

Background and other observations

20.6 Managing for results allows managers to make changes once they know what is working and what is not. It represents a significant difference in the way government programs are managed. Managers can then pay more attention to finding out whether programs are meeting their objectives and less to only carrying out activities or setting up structures and processes.

20.7 The concept of managing for results is now widely accepted across government. As a first step in putting it into practice, most departments had to realign their management structures and processes according to the results they were seeking, and not to their programs or activities. Each department had to establish department-wide objectives and think through how it wanted to structure itself in terms of the results it expected. Most of the departments we audited were engaged in significant efforts to plan how they would manage for results.

20.8 In managing a horizontal issue for results, it is critical to have a co-ordinating function that is supported by senior management (particularly in a lead department) and that has enough resources to do the job.

20.9 Departments receive limited practical guidance on managing for results, and there is little sharing of experience. They need more encouragement to move beyond planning for results; there is also a need to identify champions.

20.10 While managing for results presents challenges, there are known, practical ways to deal with them. They require that people embrace the idea of learning from experience — which includes learning from mistakes. It involves bringing more rigour to understanding past experiences and then adjusting practices in light of this learning.

The response of the Treasury Board Secretariat, on behalf of the government and the departments audited, is included at the end of this chapter. The Secretariat accepts our recommendations and indicates the actions that it is taking or intends to take to address them.

Post-Secondary Recruitment Program of the Federal Public Service

Chapter 21 – Main Points

21.1 Our review of the Post-Secondary Recruitment program in the federal public service found that the Public Service Commission of Canada is recruiting qualified candidates. But there are too few of them given the significant number of public service executives, professionals and managers who will be eligible to retire in the near future. The government has to immediately address the recruitment issue so that it can continue to deliver programs and provide services of quality to Canadians.

21.2 We found weaknesses in the program's efficiency and effectiveness in the following areas:

- Forecasting of recruitment needs is not clearly spelled out. Without a clear idea of the number and type of employees needed, it is difficult to establish clear recruitment levels and develop appropriate recruitment strategies.
- The recruitment levels under the program have not been met consistently.
- In light of the increased competition for university graduates, the Commission needs to be a more aggressive recruiter of graduates. There has to be better promotion of the public service as a career choice, increased visibility on campus and improvement in scheduling and timeliness of recruitment.
- Very few departments participate in the program, which limits its capacity to renew the public service.
- The Commission does not establish and manage inventories of qualified candidates for departments.
- The program and its activities have not been evaluated consistently and systematically to improve their effectiveness and efficiency. As a result, it makes it difficult for the government to take appropriate corrective action on recruitment.
- Reporting of results is not adequate.

21.3 We are concerned about the government's ability to address the recruitment challenge.

Background and other observations

21.4 The public service has become significantly older. Seventy percent of executives could retire by 2008, and the feeder groups, the people who could eventually replace them, have a similar retirement profile. Public servants under 35 years of age are underrepresented.

21.5 For existing senior executives, it took an average of 10 years for them to move from a professional entry level to an executive level. Recruitment has, therefore, become imperative to ensure a well-functioning public service in the future.

21.6 The public service has changed and requires a higher proportion of knowledge workers than in the past. Today, these workers constitute 55 percent of public servants.

21.7 Recruitment has been an issue in the public service for at least 10 years. Many reports, and more recently the 1999 Speech from the Throne, have reported the need to recruit for the public service because of demographics and other factors, such as increased competition for qualified candidates.

21.8 It is recognized that an effective and non-partisan public service is essential to the strong functioning of a democratic country. To remain a vibrant institution, the public service must be able to recruit and retain well-qualified employees.

21.9 The government recognizes that recruitment in the public service is a priority. In his March 2000 annual report, the Clerk of the Privy Council stated the following: "We need to start recruiting people now so that we have the time to groom and nurture skills and so new recruits will have time to benefit from the depth of experience and knowledge of public servants across the country."

21.10 We are concerned about the government's ability to address the urgent challenge of recruitment for the years ahead.

The responses of the Treasury Board Secretariat, on behalf of the government and the departments audited, and of the Public Service Commission are included at the end of this chapter. The responses recognize the importance of recruitment and indicate plans to address the issues identified.

Development of the Universal Classification Standard

A Follow-up

Chapter 22 – Main Points

22.1 The Treasury Board Secretariat has made major progress in implementing our 1996 audit recommendation on the development of the Universal Classification Standard for the federal public service. This project is fundamental to the reform of human resource management, particularly for staffing and compensation. It is a monumental and highly complex undertaking that requires much time. The present system is outdated and no longer meets the requirements of today's public service and tomorrow's.

22.2 In the last few years, the Secretariat has designed a standard intended to measure the content of diverse types of work in the public service, and has subjected it to a series of tests in departments. Since 1998, departments have been writing new work descriptions for all positions and evaluating them against the Standard. In the course of this project, the Treasury Board Secretariat has developed and issued guides and methodologies based on best practices in job evaluation.

22.3 Despite these achievements, the government still has to address significant issues:

- The Treasury Board Secretariat needs to ensure that the new Standard is being applied appropriately before fully converting to it.
- Departments need to ensure that their work descriptions are accurate and their position evaluation results valid and adequate.
- The Secretariat needs to perform further testing, based on accurate and up-to-date evaluation data, to establish the extent to which the Standard meets its stated objectives to be universal and gender-neutral.
- The government needs to ensure that reasonable and realistic financial resources are available to convert to the new Standard.

Background and other observations

22.4 A classification standard is a measuring tool for determining the relative value of positions in an organization. The Universal Classification Standard, now being developed, must be capable of evaluating all positions in the public service on the basis of work content. The results will be used to establish a hierarchy of positions and the compensation that reflects their requirements.

22.5 The Standard will apply to all Public Service employees for whom the Treasury Board is the employer, with the exception of the executive group. At August 2000, there were some 150,000 positions in 72 separate occupational groups, in some 65 departments and agencies subject to the new classification system. The development of a new classification standard has to meet the requirements of the *Canadian Human Rights Act* on equal pay for work of equal value.

22.6 The existing classification standards do not reflect today's emphasis on serving the public and managing for results. They also do not make reference to the fact that public servants work more and more in partnership with other levels of government and the private sector.

22.7 The development of a new classification standard was launched in 1991 as part of the Public Service 2000 initiative. In 1996, we reported serious deficiencies (May 1996 Report, Chapter 5). Pursuant to our recommendations and the findings of its own review, the government began to improve the Universal Classification Standard. This follow-up chapter is a progress report on the initiative to date.

The Treasury Board Secretariat has responded positively to our findings and recommendations and has affirmed that progress will continue to meet the Universal Classification Standard objectives.



Information Technology

Acquisition of Goods and Services

Chapter 23 – Main Points

23.1 In auditing acquisition activities (procurement) for large information technology projects in the government, we found that two recent acquisitions followed some essential elements of a procurement approach and project management framework designed to improve large technology projects. The approach emphasizes the benefits to be derived from a project, rather than focussing on a specific solution to a business problem. Although both projects are still in the construction phase, they have progressed and delivered as planned. While full implementation and deployment of the new systems are not assured, the results to date are encouraging.

23.2 We found, however, that the acquisition activities still spanned 18 months or more. The government needs to improve the timeliness of those activities to adequately support its objective of putting government on-line by 2004.

23.3 We also examined the acquisition process for the routine supply of microcomputers, equipment for local area networks and software. We found that the government has yet to finish replacing its discontinued method of supply for routine, low-volume purchases of software licences and software solution services. As a result, user departments and agencies do not have a ready, prenegotiated means for low-value purchases of certain software products and services.

23.4 We also found that the replacement method as developed thus far is inadequate, and there is still a risk that the government will continue to acquire installed bases of software on a piecemeal and non-competitive basis. Where user departments and agencies have done so, the government can become vulnerable to the filing of complaints with the Canadian International Trade Tribunal in relation to contracts that extend the use of the software to the entire department or involve department-wide maintenance and upgrade of the software.

23.5 Acquiring software licences and software solution services appropriately continues to be a challenge. The government needs to consider a strategy for acquiring software as a technology investment.

Background and other observations

23.6 Our data analysis showed that the significant expenditures involved in the acquisition of information technology (IT) goods and services have been on the rise. We estimated that in 1998–99, spending on IT amounted to about $3.4 billion, including salary costs.

23.7 The method of supply for routine, low-volume purchases of microcomputers and products related to local area networks has merit and adds value to the acquisition process. Nevertheless, in our view there are opportunities for cost savings of about $10 million a year by taking more advantage of consolidated purchases.

23.8 Our audit looked at eight user departments and agencies. We conducted a test of their compliance with the procurement authority delegated to them. We found a few minor deviations but no indication of blatant or widespread misuse of delegated authority.

23.9 Recent determinations by the Canadian International Trade Tribunal (CITT) were the main reason for changing the standing offer method of supply for routine, low-volume purchases of software licences and software solution services. Moreover, even though CITT cases have been few, government users and the IT community have indicated that they have generated intense scrutiny of all technology acquisitions in government in order to

avoid potential complaints to the Tribunal. In our view, there is a need to better respect the government's contracting objectives — meeting operational requirements with due regard to value for money while also respecting the principle of open and fair competition by complying with government regulations and trade agreements.

The government is generally supportive of the recommendations contained in the chapter.

Federal Health and Safety Regulatory Programs

Chapter 24 – Main Points

24.1 The overall objective of health and safety regulatory programs is to proactively protect Canadians from risks to health and safety — to catch the problem before it happens, and if it happens, to minimize the consequences.

24.2 The Canadian Food Inspection Agency, Health Canada, Environment Canada, Transport Canada, the Canadian Nuclear Safety Commission and the National Energy Board administer major federal health and safety regulatory programs. We estimate that in 1999-2000 the regulatory programs administered by these organizations spent about $1.2 billion and employed some 12,000 people. They administer about 85 Acts and 250 regulations. Their objectives range from controlling toxic chemicals to maintaining the safety of food, drugs and nuclear power plants.

24.3 The objective of the government's regulatory policy is to promote the design and implementation of effective regulatory programs. Because performance measurement is weak, there is insufficient information to assess the cost effectiveness of health and safety regulatory programs.

24.4 Over the past decade, our audits of federal health and safety regulatory programs have found many instances where the regulatory authorities have not met the expectations of the government's regulatory policy. While effectiveness cannot be judged solely on the basis of adherence or lack of adherence to the policy, well structured programs increase cost effectiveness and reduce the risk of regulatory failure.

24.5 Improving the structure and implementation of federal health and safety programs will require action government-wide and by the responsible regulatory authorities. In particular, we emphasize the need to ensure the following:

- the government explains to Canadians and the federal regulatory and inspection community the priorities for health and safety regulatory programs, particularly the balance the government has reached between the objective of protecting Canadians, addressing budget concerns and meeting economic objectives;
- reliable information is available on the level of risk and the extent to which it is and can be controlled;
- based on priorities determined by risk assessment, regulatory authorities have sufficient financial and human resources;
- the government identifies major health and safety objectives that can only be achieved through interdepartmental co-operation, and authorities assess officials on the achievement of these objectives; and
- the government annually submits reports to Parliament on the overall effectiveness of health and safety regulatory programs, including reports by lead regulatory authorities on the achievement of objectives that require significant interdepartmental co-operation.

Background and other observations

24.6 We undertook this audit to identify the following:

- major trends and challenges faced by health and safety regulatory authorities;
- patterns of recurring strengths and weaknesses in structure and implementation; and
- measures that could be taken to make significant improvements in the structure and implementation of regulatory programs.

24.7 We used key elements of the government's regulatory policy as a basis for organizing information on patterns of strengths and weaknesses. Our findings are based on the results of our current audits of food inspection programs, nuclear power plant regulation, the regulatory regime for biologics of Health Canada, and follow-up audits of animal health and plant protection, safety regulation for the air navigation system of Transport Canada, and onshore pipeline regulation. They are also based on audit findings from previous Reports of the Auditor General and the Commissioner of the Environment and Sustainable Development. As well, we have taken into account the findings of parliamentary committees, government reports and reports of non-government organizations.

24.8 Canadians are concerned about health and safety risks. Crises or regulatory failures heighten these concerns. However, the government cannot eliminate all risks. Canadians need to be provided with understandable information on health and safety risks and consulted on the choices to be made.

24.9 The public's confidence in the government's use of science and technology to protect the health and safety of Canadians has been shaken by recent crises, for example, the concerns about the safety of the blood supply reviewed by the Commission of Inquiry on the Blood System in Canada (Krever Commission). The use of independent expert advisory committees could be expanded to provide advice and enhance the credibility of the regulatory effort.

24.10 Under the Constitution and in practice, the federal government often shares responsibility for the protection of health and safety with the provinces. Co-operation is fast becoming mandatory, rather than a matter of choice. Increasingly, risks are of a global nature, and multinational action is required. Standards and regulatory approaches among countries are being harmonized through trade treaties or international agreements. This trend means that Canadian regulatory authorities need to co-operate to effectively present a Canadian position in international exercises for setting standards. For these reasons, it is in the interest of all parties to work together and to participate in the development of a national health and safety regulatory plan.

The Privy Council Office states that while the government believes its regulatory policy is sound, it shares our Office's concern. It recognizes the need to ensure that regulatory authorities have the capacity to meet the expectations of the policy — to properly develop and to appropriately implement regulations and regulatory programs.

Canadian Food Inspection Agency

Food Inspection Programs

Chapter 25 – Main Points

25.1 The Agency's food inspection programs are reviewed and generally well regarded by most foreign countries that import our products. This feedback provides a degree of assurance that the Agency's food inspection programs are contributing to the safety of the Canadian food supply.

25.2 Since its creation in April 1997, the Agency has undertaken a number of initiatives to improve the efficiency and effectiveness of federal food inspection — a major reason for its creation. These initiatives include the development of an Integrated Inspection System (IIS) to promote greater consistency between inspection programs; and the introduction of an approach based on the principles of hazard analysis and critical control points (HACCP). The HACCP-based approach is a tool to improve the safety of food through the assessment of hazards and the establishment of control systems that focus on prevention, rather than mainly the reliance on end-product testing.

25.3 While progress has been varied and in a few cases faltered, the Agency has made progress in many of the initiatives. We noted that the Agency has had difficulty in establishing a process to support risk-based resourcing. As a result, the Agency cannot demonstrate that it has appropriately resourced its food inspection programs based on risk. Such a process is needed particularly in the imported food sector, which is worth $15 billion and is growing, and the non-federally registered sector, which represents almost one-half of the food-processing industry. We also noted in the non-federally registered sector that the Agency has changed its inspection approach without adequately assessing overall risks and the options available for managing the sector. Also of concern is the lack of a formal strategy for the implementation of the HACCP-based approach and the setbacks encountered in the IIS.

25.4 We identified problems with the Agency's compliance activities. We examined 21 inspection files from establishments that had issued food recalls or had been prosecuted in the last two years. In 1999-2000, the Agency participated in 243 recalls and had 59 successful prosecutions. We found that in 16 cases, the same or similar problem persisted for many months and in some cases, years. The compliance actions taken were not sufficient to achieve the Agency's goal of timely correction of the compliance problem either because of the limitations in the legislation or a failure by the inspector to take more serious compliance action.

25.5 Measuring the success of initiatives and more broadly the performance of the Agency in achieving its goals is also a concern. We noted that the Agency had not set expectations or measured performance to determine if its initiatives and activities have contributed to a more efficient and effective food inspection system. Our annual assessment of the performance information in the Agency's annual report has consistently noted that readers are not provided with the information necessary to understand the extent to which the Agency is achieving its objectives.

Background and other observations

25.6 The Canadian Food Inspection Agency is the result of the amalgamation of food safety and inspection programs from three federal departments : Agriculture and Agri-Food Canada, Health Canada, and Fisheries and Oceans. It now has some 4,400 employees across the country and manages expenditures of $416 million. The Agency's main activities focus on inspecting the food supply, but it also conducts activities related to animal health and plant protection.

25.7 The Agency is not solely responsible for food safety. It shares this responsibility with other federal departments and provincial, territorial and municipal authorities. Industry and consumers also play an important role. Health Canada is responsible for establishing policies and standards relating to the safety and nutritional quality of food. The Agency is responsible for delivering federal inspection programs that enforce these policies and standards.

25.8 The Agency operates in a complex environment created by a number of factors, including changes in food risks, technology, inspection methodology, international requirements, consumer trends and consumer perception.

25.9 Our audit focussed on assessing how the Agency manages food inspection to reduce risks to food safety.

25.10 We found that a formal strategy for the implementation of the HACCP-based approach is needed. A plan for the transition period, including considering how to manage resources during the transition period needs to be developed. Further, insufficient information has been collected to allow the Agency to measure the success of implementing the HACCP-based approach in improving food safety. It could take many years to develop and implement the further redesign of the HACCP-based approach in the meat industry. This redesign would require industry to perform ante- and post-mortem detection with continuous government monitoring and oversight in the beef and pork industries. It could also take a long time to introduce a pathogen-reduction effort in these industries. This situation is in contrast with the important progress made in the poultry industry.

25.11 The Agency is lacking important information on the incidence of food-borne illness in humans and the prevalence of pathogens in the food supply. This is complicated by the fact that the Agency is not responsible for gathering some of the information. However, without this information, it is more difficult to manage risks to food safety and measure the success of Agency initiatives and its contribution to the safety of the food supply.

25.12 The Agency has consulted the provinces, industry and the public on some, but not all, significant initiatives and issues. As a result, the Agency has missed opportunities for broad public debate on important questions, including the following: How much inspection attention should be paid to the non-federally registered sector given its mandate? Should the Agency continue to provide industry with considerable flexibility in implementing the HACCP-based approach? Should it be leading internationally in implementing the further redesign of the HACCP-based approach in the meat industry? It is important that the Agency engage stakeholders, including Parliamentarians and the public, in a debate on these questions.

The Canadian Food Inspection Agency's responses to our recommendations are included in the chapter. The Agency accepts all but one of our recommendations and has indicated a number of actions it is taking or intends to take to address them. The Agency disagrees with our recommendation relating to the non-federally registered sector. Its position is reflected in its response following paragraph 25.82.

Health Canada

Regulatory Regime of Biologics

Chapter 26 – Main Points

26.1 Our audit of Health Canada's regulatory regime for biologics found that the Department is taking a reasonable approach in developing and implementing frameworks and approaches for regulating different biologics (blood and blood products, cells, tissues and organs of human or animal origin, vaccines and other biological drugs). Our work focusses on the management of the regime for regulating biologics. Therefore, we did not conclude on the effectiveness of specific regulations or on the safety of specific products.

26.2 The Department faces important challenges. It needs to do the following:

- to establish more formal guidance to determine the most appropriate regulatory approach for a given situation;
- to maintain the currency of regulations;
- to obtain sufficiently qualified staff to deal with the rapid technological advances in biologics; and
- to implement sufficient databases to adequately process, analyze and disseminate information on adverse reactions and events.

26.3 Overall, we found that the Department has adopted a proactive approach to identifying risks that could threaten the health and safety of Canadians in the area of biologics. Though the science for xenotransplantation (the use of live, non-human animal cells, tissues and organs in humans) is not perfected, the Department is being proactive in planning a regulatory regime for xenografts. However, many delays have characterized the implementation of the regulatory regime for transplantation of human tissues and organs. Transplants of these types have been performed in hospitals for a number of years.

Background and other observations

26.4 Health Canada is responsible for regulating biologics under the provisions of the *Food and Drugs Act* and Regulations. Accordingly, the Department's objective is to ensure that biologics available to Canadians are safe, effective and of high quality. The Bureau of Biologics and Radiopharmaceuticals does much of this work with several other bureaus in the Therapeutic Products Directorate of the Health Products and Food Branch. As well, the Population and Public Health Branch conducts some surveillance activities.

26.5 The safety of biologics is an important aspect of public health. Rapid advances in science have resulted in increasing regulatory challenges. Many of the federal laws that govern health and safety were developed decades ago. Today, science is yielding new products that up until recently were unimaginable. Some products and practices carry potential health risks and raise difficult questions that current legislation may not be fully equipped to address. It is important that regulations remain current. It is also necessary to ensure that the tools required to put in place regulations — or other interventions — are also current and sufficiently flexible to deal with changing demands.

26.6 The Department follows a traditional approach with prescriptive regulations to regulate most biologics. This framework is well-established and offers some benefits. However, Health Canada believes that the framework is not sufficiently flexible to deal with emerging products and other technological advances in

biologics. Therefore, the Department is moving toward adopting a standards-based regulatory approach for blood, tissues and organs, and xenografts. Under this approach, third-party standards development organizations develop standards with Health Canada and other interested parties.

26.7 The Processing and Distribution of Semen for Assisted Conception Regulations (the Semen Regulations) represented the only regulatory framework in biologics that incorporated by reference in the Regulations standards developed by a third party. While this approach appears to offer some benefits including more flexibility to deal with rapid changes in technology, there are some important issues that need to be addressed. The Department needs to ensure that compliance is verified and that accountability is assured for regulations referencing its own technical standards. The Department needs to apply lessons learned from the implementation of the Semen Regulations to future standards-based regulatory frameworks, as applicable.

Health Canada's responses to our recommendations are included in this chapter. The Department agrees with the recommendations and indicates the actions that it is taking or intends to take to address them.

Canadian Nuclear Safety Commission

Power Reactor Regulation

Chapter 27 – Main Points

27.1 The Canadian Nuclear Safety Commission (CNSC) needs to improve its regulatory regime for power reactors to ensure that it continues to protect the health and safety of Canadians.

27.2 While the CNSC continuously monitors the compliance of power reactor licensees with regulatory requirements, its regulatory activities are not based on a rigorous, well-documented system of risk analysis and the ratings it assigns for regulatory performance (acceptable, conditionally acceptable or unacceptable) are not clear. In addition, CNSC's compliance and enforcement system is not yet complete. As a result, it cannot adequately demonstrate that it is achieving its safety objectives for the regulation of power reactors.

27.3 Like other nuclear regulators, CNSC faces significant difficulties in recruiting and retaining qualified staff. Combined with its current regulatory regime, which relies heavily on the expertise and judgment of staff, the lack of human resource capacity could impact its ability to function adequately in the future.

Background and other observations

27.4 The *Nuclear Safety and Control Act* came into force on 31 May 2000. It created the Canadian Nuclear Safety Commission to replace the Atomic Energy Control Board. CNSC is responsible for regulating the use of nuclear energy in Canada to protect health, safety, security and the environment. Our audit focussed on the regulatory activities related to power reactor licensing and regulation.

27.5 The CNSC has 440 staff. Its headquarters are in Ottawa. It maintains a site project office at each of the power reactor stations, where its staff monitor licensee compliance with regulations and the licence conditions. In fiscal year 2000, CNSC had total costs of $59 million.

27.6 In July 1999, of some 440 power reactors in the world, 22 were in Canada — 20 in Ontario, one in Quebec and one in New Brunswick. There were 104 power reactors in the United States.

The Canadian Nuclear Safety Commission agrees with our recommendations and is taking action to address them.

Follow-up of Previous Recommendations on Health and Safety Regulatory Programs

Chapter 28 – Main Points

28.1 This chapter presents our follow-up of three previously reported audits of federal health and safety regulatory programs. The Animal and Plant Health segment is a further follow-up to that reported in Chapter 28 of our 1998 Report.

28.2 Since our 1996 audit on animal and plant health, a number of initiatives have been undertaken within the Canadian Food Inspection Agency to address our recommendations concerning the assessment of risk and alternative service delivery; however, work remains to be done. Because many of our recommendations were long-term in nature, we did not yet expect their implementation to be complete. Progress is satisfactory, except in several specific areas.

28.3 Transport Canada has made satisfactory progress in the areas of risk analysis and audit and inspection. However, it has still not conducted or planned any formal review of the quality of Civil Aviation Daily Occurrence Reporting System (CADORS) data or any other safety performance data regularly supplied to it by NAV CANADA. The Department also has not yet established a formal process to reconcile the data it receives from NAV CANADA with the data from the Transportation Safety Board's incident-reporting system to ensure completeness.

28.4 The National Energy Board has made a good effort to meet its commitments and implement the recommendations. Progress has been slower than anticipated in some areas but is on track for full implementation in the near future. The Board has taken the tasks seriously and assigned senior staff to ensure successful completion.

Treasury Board Secretariat

The Government's Annual Contracting Activity Report — 1998

Chapter 29 – Main Points

29.1 This chapter examines the Treasury Board Secretariat's Annual Contracting Activity Report for the calendar year 1998. The Report provides Canadians with an annual statistical summary of the number and value of contracts let pursuant to the Government Contracts Regulations (GCR) and the government's contracting policy. The value of the reported contracts in 1998 accounted for $13.4 billion (including NATO Flying Training in Canada Program of $2.99 billion) or more than one third of the $35.7 billion cost of running the government.

29.2 The systems for gathering data for the Report capture most of what is required and have the potential to provide the base for a good and useful document. However, our audit found significant deficiencies in the Report with respect to validity, reliability, transparency and relevance. (We define these terms later.)

29.3 Specifically, the deficiencies that we noted in the 1998 Report include the following:

- **Validity.** Transactions relating to contract amendments, standing offers and credit card payments are included with information on primary contracting activities. The information on these transactions should be segregated in the Report.
- **Reliability.** The audit found that information on the number and dollar value of contracts was incomplete. For example, the Report did not include at least $320 million worth of contracts that should have been reported. We also found that information on the classification of contracts was unreliable.
- **Transparency.** The 1998 Report does not provide enough explanatory information or links to it to enable the unfamiliar reader to understand how the Report was prepared and the meaning of key terms used in presenting the data.
- **Relevance.** As was the case for previous reports, the 1998 Report was not published until more than a year after the end of the reporting period, thereby making its relevance questionable. In addition, it does not contain enough information in particular areas to meet the needs of the public and parliamentarians. These needs have been identified by parliamentary committees.

29.4 The available data do not permit us to quantify the effect of several of these deficiencies on the Report; nor do the data permit us to assess the interaction among them. Accordingly, we cannot assess the extent to which these deficiencies affect the overall fairness of presentation of the Report.

Background and other observations

29.5 The need for fairly presented and relevant statistical information on the government's contracting activities has been a long-standing concern of the Office of the Auditor General. We first raised the issue in 1982 and more recently in reports in 1991 and 1997. Concerns about the lack of appropriate information on contracting were major elements of the 1995 and 1997 Reports of the Standing Committee of the House of Commons on Government Operations. In 1999, the Public Accounts Committee also expressed concerns about the information and recommended that future reports be audited.

29.6 We recommend that the Treasury Board Secretariat improve the usefulness of the Annual Contracting Activity Report by segregating information on amendments, standing offers and credit card payments. We also

recommend that the Report provide the reasons for directing a contract to a particular supplier. The Treasury Board Secretariat should also develop quality assurance systems for the data used to develop the Report. In addition, the Secretariat needs to direct attention to resolving the conceptual and presentation issues that we have identified. Major improvements can be achieved with some additional effort and attention to statistical reporting by the procurement community.

As noted in "Subsequent Event" at the end of the chapter (paragraph 29.76), the Treasury Board Secretariat has already taken steps to address a number of our concerns. The Secretariat's responses to our recommendations indicate that it is actively addressing some and giving what it believes to be appropriate consideration to the rest.

Fisheries and Oceans

The Effects of Salmon Farming in British Columbia on the Management of Wild Salmon Stocks

Chapter 30 – Main Points

30.1 Fisheries and Oceans is managing the salmon farming industry on the basis that it poses an overall low risk to wild salmon and habitat. However, the Department is not fully meeting its legislative obligations under the *Fisheries Act* to protect wild Pacific salmon stocks and habitat from the effects of salmon farming. We found that the Department:

- is not fully carrying out its current regulatory responsibilities to enforce the *Fisheries Act* with respect to salmon farming operations;
- is engaged in research and is working with the Province of British Columbia (B.C.) to develop a regulatory framework for salmon farming, but there are shortfalls in research and monitoring to assess the effects of salmon farming operations; and
- has not put in place a formal plan for managing risks and for assessing the potential cumulative environmental effects of proposals for new sites, should the decision be made to expand the industry.

30.2 There is an urgent need for the Department to address these shortcomings in consultations with the Province if their goal of ensuring the co-existence of sustainable salmon fishing with the farming industry is to be achieved. The Department has recently obtained additional funds, which it plans to use to respond to industry and public concerns. Some projects include habitat management, further study on the environmental effects of aquaculture operations on fish habitat, and the effects of farmed and wild stock interaction. The Department has also notified the Province of B.C. and the salmon farming industry that it intends to begin assessing all fish farm operations to ensure that they are in compliance with the *Fisheries Act*.

Background and other observations

30.3 This is our third audit since 1997 of the Department's Pacific salmon management programs. In previous chapters we reported on habitat protection and management of the salmon fisheries. We found that loss of salmon habitat continued and that some wild salmon stocks were declining. Salmon farming has the potential to create additional stress on wild salmon stocks over time, especially if the industry expands. We found that the Department has not developed a plan to evaluate and manage the risks in the long term.

30.4 Reaching conclusions on the effects of salmon farming is difficult because there have been few scientific studies that apply directly to the B.C. situation. Recent scientific evidence of escaped Atlantic salmon reproducing in B.C. streams, and the potential for expansion of the industry, are raising new questions regarding effects on wild salmon stocks, including the cumulative effects on the environment and fisheries resources.

30.5 Atlantic salmon are raised initially in freshwater hatcheries, and at the juvenile stage they are transferred to open net pens in marine coastal waters in B.C. to complete their growth. They are harvested as adult salmon. It is while they are being reared in open net pens that possible interactions with wild salmon and their habitat can occur. Furthermore, open net pens are vulnerable to damage, which can result in escapes of farmed salmon.

The Department concurs with the contents of the chapter.

Fisheries and Oceans

Fleet Management

Chapter 31 – Main Points

31.1 In our opinion, Fisheries and Oceans is not managing its fleet in a cost-effective manner. There is a wide variation in practices and procedures employed by the five regions where the fleet operations are controlled. With each region having its own operating practices, procedures and support, the Department is missing opportunities for greater flexibility in sharing resources and for better productivity in providing the fleet service.

31.2 We observed the following problems in the key management practices that are important to a cost-effective fleet activity:

- The Department has not established clear, concrete, realistic and agreed-upon performance expectations for the fleet.
- The funding horizon has been only one year, even though the fleet is a capital-intensive activity with high fixed costs.
- There is a lack of service accords clearly establishing the performance and funding arrangements between the Department's programs and the fleet.
- Internal budgetary processes do not support accountability for the fleet activity.
- Information systems are not integrated and do not provide managers with reliable, timely information on performance and cost.
- The method of allocating costs to programs discourages vessel use.
- The fleet does not employ a life cycle approach to managing its vessels.
- The fleet is not adequately managing its single largest operating expenditure, its human resources.
- Shore-based support is too large, given the current size of the fleet.
- There are weaknesses in stewardship reporting to Parliament.

31.3 As the Department addresses these issues in an order of priority (they cannot all be addressed at once), it also needs to consider a longer-term strategy to renew its aging fleet. Such a strategy would need to take into consideration the changing nature of program requirements, the impact of technological change and the potential for alternative means of acquiring the services needed.

Background and other observations

31.4 At 31 March 2000, the fleet consisted of 144 vessels (122 were operational for some period during 1999–2000), including vessels as small as an 8-metre multi-tasked utility vessel to a 111-metre heavy gulf icebreaker. The fleet plays a key role in providing services such as aids to navigation, icebreaking, the marine component of search and rescue, and marine pollution prevention and response. It also supports the Department in the conduct of fisheries science and enforcement, hydrography, oceanography and other marine sciences.

31.5 In 1999–2000, Fisheries and Oceans spent approximately $229 million for operations, maintenance and capital replacement of the fleet. In addition, an estimated $52 million was spent on shore-based support.

31.6 The fleet's human resources are its single largest operating expense. At 1 April 2000, there were 756 officers and 1,308 crew assigned to vessels, although the number of people varies during the year depending on seasonal requirements. In addition, we estimate conservatively that there are about 447 full-time-equivalent shore-based positions that provide direct support to the fleet and about 55 positions associated with the Canadian Coast Guard College that provide training support directly to the fleet.

31.7 Our audit focussed on the 47 large vessels that operated for some period during 1999–2000, vessels in lay-up status, and the sea- and shore-based people directly involved in managing and operating the fleet. The large vessels annually incur between 70 and 80 percent of the operating costs of the fleet.

31.8 Since 1994, the fleet has had to deal with significant fiscal restraint, the merger of the former Transport Canada Coast Guard fleet with the science and fisheries enforcement fleets of Fisheries and Oceans (1995), and further fiscal restraint associated with the merger (1996 to the present). We had expected to find some management issues, given the amount of change the fleet has undergone; however, we are concerned about the number and seriousness of the issues we found. We believe that the resolution of these issues requires management's prompt action.

31.9 While the issues raised in this chapter are considerable and represent a challenge to management, the Department deserves credit for several initiatives that are important to the delivery of the fleet activity. Most notable is the ongoing implementation of the International Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code). Also, during 1999–2000, program and fleet managers identified the existing vessels that could be afforded, within available funding, while providing the best possible service. This exercise did not address the problems we identified above; however, it could bring some stability to the environment in which the fleet operates.

The Department's overall response to this chapter follows paragraph 31.139. Fisheries and Oceans accepts our findings and indicates that a study is under way to develop strategic options for fleet management. Following completion of the study, the Department intends to develop an action plan addressing seven specific areas that encompass the issues we have identified.

National Defence

Defence Support Productivity: A Progress Report

Chapter 32 – Main Points

32.1 National Defence's efforts since 1994 to transform itself to a more entrepreneurial organization and to maintain military capabilities in the face of declining financial and human resources have yet to be completed. Efforts to reform the services we examined in 1996 that provide support to the ships, land force brigades and air squadrons of the Canadian Forces remain a work-in-progress.

32.2 In 1996 we reported that the productivity of the base/wing support functions of vehicle maintenance, supply and transportation had either fallen or was less than that of similar service providers. This year we found that, because of massive organizational and process changes, we could no longer measure productivity; nor could the base/wing managers tell us if they were more or less productive than they were in 1996.

32.3 Although the number of training days delivered per Canadian Forces school employee has declined since 1996, 14 schools may be unable to deliver the quantity of individual training required in the future.

32.4 National Defence's efforts to improve aircraft maintenance productivity have been relatively successful, although the introduction of AF 9000 Plus, a quality management system, has stalled.

32.5 The Department has achieved limited success in its efforts to shift to a more businesslike environment in those renewal efforts we examined.

- Business plans, although helpful in rationing declining resources, still lack performance measures. Managers continue to express concerns about the adequacy of cost information. As a result, it is difficult for managers to determine whether productivity is improving or declining.
- The devolution of operating budgets to the lowest level of the organization has led to confusion over roles and responsibilities. Managers do not have the knowledge and experience to carry out their new responsibilities. The Department has not provided adequate training on new information systems, and the complexity of the systems has complicated rather than simplified re-engineering and devolution initiatives. The Department has undertaken a number of initiatives to address these issues.
- The Department's efforts to transform its organizational culture continue; however, culture change priorities have yet to be identified.
- As might be expected, the two major alternative service delivery programs most closely associated with defence support productivity are meeting strong internal resistance from potentially affected employees. The Department expects to realize savings beginning in 2004.

32.6 We found that the lack of measurable progress in improving support productivity can be attributed to a number of factors, including:

- the relatively low priority of improving defence support productivity among the Department's competing programs;
- the need to cope with continuing personnel and budget reductions throughout the renewal period; and
- the lack of a strategic plan to guide the Department's reform efforts through its five-year renewal period (1994–1999).

Background and other observations

32.7 The operational ships, land force brigades and air squadrons are sustained by a support system that provides such things as personnel administration, food, fuel, equipment, maintenance and training. In a force of about 60,000, approximately 36,000 are dedicated to operations and training at any given time, with the remainder focussed mainly on continuing support. In dollar terms, support services consume approximately 45 percent of the $11 billion budget of National Defence. In this audit, we reviewed the progress made by the Department in improving productivity in support functions that we audited in 1996. These functions represent only part of the resources consumed by support services. Measuring and improving defence support productivity is important to ensure that only minimal resources are consumed by support functions so that maximum resources can be dedicated to operations.

32.8 In 1994, in response to the government's 1994 Defence White Paper, National Defence embarked on a five-year renewal program to devote maximum resources to the Canadian Force's combat capability by decreasing the cost of support activities. Between 1994 and 1999, the Canadian Forces were reduced from 76,000 to about 60,000 members. The civilian work force was reduced from 32,000 to about 20,000 employees. During this period of rapid personnel reductions, National Defence completed a number of significant overseas and domestic deployments.

The National Defence response is included in this chapter (paragraph 32.126). The Department stresses that it has faced many challenges and competing priorities that have reduced its ability to improve support productivity. Officials told us that business planning has resulted in greater awareness of the need for efficiency and that their Strategy for 2020 document will provide an overall framework for change.

National Defence acknowledges that the development of activity-based costing information has been slow, but says that its decision-making process has not suffered. The Department is still working on a performance measurement framework.

Follow-up of Recommendations in Previous Reports

Chapter 33 – Main Points

33.1 This year's reports indicate that some entities have been more successful than others in implementing corrective action. We noted satisfactory progress in some areas by several entities, but we also noted numerous areas where progress is disappointing. Some entities have made a good start in implementing changes, but have slowed down in completing them. Few entities get a "well done" for speedy implementation. We urge all departments and agencies to make a greater effort to accelerate their implementation plans.

33.2 Our 1998 audit of selected grant and contribution programs of **Industry Canada** and the **Department of Canadian Heritage** identified weak management practices. Our follow-up found that Industry Canada is making reasonable progress in addressing our recommendations. However, we uncovered a new issue — a $20 million payment in advance of need resulting in as much as $5 million of interest costs to the government. We found that the Department of Canadian Heritage has not made sufficient improvement in the management of grants and contributions under its Multiculturalism Program. Program objectives remain unclear and there are still serious problems with due diligence. We plan to report again next year on the Department's progress in remedying these problems.

33.3 Our follow-up of three previous chapters on Atlantic fisheries management found that **Fisheries and Oceans** is moving forward with a plan for the development and approval of a sustainable fisheries framework and the development of a new approach to fisheries management for the Atlantic fisheries. While the plan appears to address our key recommendations, the Department still needs to finalize the policy and develop detailed processes, procedures and legislation to support the new approach to fisheries management. Only then can we conclude that our recommendations have been fully addressed.

33.4 Since our report on **Population Aging and Information for Parliament**, the budgetary process has become more transparent and forward looking. The adjustment of budget forecasts for "prudence" is now shown explicitly, rather than embedded in the revenue and expenditure projections. In addition, the fiscal outlook has been extended from two years to five years. This, however, still falls short of what is needed to show the impact of the impending demographic shift one to three decades ahead.

33.5 The departments and agencies responsible for the planning and construction of the **Canadian Security Intelligence Service headquarters** and the **federal laboratories for Human and Animal Health** have taken action on most of the original audit recommendations and observations. However, the laboratory facilities in Winnipeg remain significantly underutilized. The Treasury Board Secretariat has only recently initiated a review of its monitoring role and methodology to ensure an appropriate level of oversight over major Crown projects. Public Works and Government Services Canada has not resolved certain contracting issues such as the definition of errors and omissions in contract documents and introducing meaningful incentives for reducing costs.

33.6 After our audit of the management of the Social Insurance Number (SIN), the government took steps to improve the integrity of data in the Social Insurance Register. **Human Resources Development Canada** has increased the number of investigations of SIN fraud and abuse and actions to address other issues identified by our audit are under way. However, a comprehensive study of the impact and extent of use of the SIN is still needed to fully understand the practical, economic and political implications of its use.

33.7 The government has made progress in its efforts to implement its **Financial Information Strategy** but considerable work is needed to ensure that the financial systems and accrual accounting policies will be in place by the April 2001 deadline. The longer-term integration of better financial information into day-to-day management decision making remains a challenge.

33.8 In addition to those mentioned above, this chapter includes follow-up reports on the **Canadian Customs and Revenue Agency**, the **Department of Finance**, **Human Resources Development Canada** and **Veterans Affairs Canada**. Other follow-up work is reported in different chapters throughout our reports.

Chapter 34 – Main Points

34.1 The *Auditor General Act* requires the Auditor General to include in his Report matters of significance that, in his opinion, should be brought to the attention of the House of Commons.

34.2 This chapter fulfils a special role in the Report. Our other chapters normally report on value-for-money audits or on audits and studies that relate to operations of the government as a whole. "Other Audit Observations" reports on specific matters that have come to our attention during our financial and compliance audits of the Public Accounts of Canada, Crown corporations and other entities, or during our value-for-money audits.

34.3 This chapter covers the following:

- Atomic Energy of Canada Limited records its decommissioning and site remediation liabilities;
- managing suspected abuse and fraud in the Employment Insurance program;
- lack of clarity on basis used in setting Employment Insurance premium rates; and
- federal investment in Big Science: the Sudbury Neutrino Observatory.

34.4 Although each audit observation reports matters of significance, they should not be used as a basis for drawing conclusions about matters not examined.

Sustainable Development Strategy for the Office of the Auditor General

Chapter 35 – Summary

35.1 In our second sustainable development strategy, we commit to helping the federal government continually improve its management of environmental and sustainable development issues and to ensuring that our own operations are managed in an environmentally responsible manner.

35.2 We have made good progress in implementing our first strategy, but there are several areas that require improvement. Our biggest challenge is to further integrate environmental and sustainable development issues into our audit work. We need to better document changes made to our action plan, and we must also update and complete the implementation of our environmental and sustainable development training plan.

35.3 Our experience with the first strategy has allowed us to simplify our approach to managing sustainable development issues. We have reduced the number of goals and objectives and the indicators of performance that we use to measure our progress; and we have linked our actions to our planned results. From our experience with the first strategy, we learned that we needed to balance our environmental aspirations with other factors, such as increasing the quality of working life.

35.4 During the past three years our Office, including the Commissioner of the Environment and Sustainable Development, has reported our findings to Parliament on subjects that include the government's management of smog, toxic substances, climate change, hazardous wastes, biodiversity and sustainable fisheries. We have reviewed the implementation of the first round of departmental strategies. Finally, we have assessed the performance of departments and agencies and provided guidance on how they can improve their management of environmental and sustainable development issues and reduce the environmental impacts of their own operations.

35.5 In the next three years, we will continue to perform audits of environmental issues and to follow up on our previous audits. In 2001 we plan to report on an audit of the way the federal government manages its responsibilities for selected sustainable development issues that affect the Great Lakes and St. Lawrence River basin.

35.6 Following amendments to the *Auditor General Act* in 1995 that formally incorporated environmental and sustainable development issues into our mandate, 24 federal departments and agencies tabled their first sustainable development strategies in the House of Commons in December 1997. Another four departments and agencies, including the Office of the Auditor General, voluntarily submitted strategies. The *Auditor General Act* requires that the strategies be updated every three years, and the second round of strategies was due to be tabled by December 2000 if Parliament were sitting.

35.7 The framework for our strategy focusses on three major areas: our audit work, our day-to-day operations, and our human resources. We believe it is in our audits and studies of federal organizations that we have the greatest impact.

35.8 Our sustainable development strategy aims to promote sustainable development among parliamentarians, federal organizations and Canadians in general. More specifically, our strategy tells parliamentarians how we integrate environmental and sustainable development considerations into our business as a legislative audit office, and how we measure the success of our efforts.

35.9 In the past three years, our Office has brought many environmental and sustainable development issues to the attention of Parliament and federal organizations through our financial audits, special examinations and

value-for-money audits, including our reviews of the sustainable development strategies. We have provided guidance through studies and other publications, including *Moving Up the Learning Curve*, a 1999 report by the Commissioner of the Environment and Sustainable Development. That report set out what the Commissioner expected to see in the second round of sustainable development strategies.

35.10 This chapter sets out our own second strategy. It includes:

- a description of our Office — our mandate, the work we do and the impact that we aspire to achieve;
- a summary of our performance and the lessons learned from our first strategy; and
- our objectives, indicators of performance and our planned results for the next three years.

Report of the Auditor General of Canada to the House of Commons – 2000

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intégrons, en tant que bureau de vérification législative, les considérations relatives à l'environnement et au développement durable à nos activités et comment nous mesurons le succès de nos efforts.

35.9 Au cours des trois dernières années, le Bureau a porté à l'attention du Parlement et des organisations fédérales de nombreuses questions liées à l'environnement et au développement durable au moyen de vérifications comptables, d'examens spéciaux et de vérifications de l'optimisation des ressources, y compris nos examens des stratégies de développement durable. Nous avons donné des conseils par l'intermédiaire d'études et d'autres publications, notamment dans un rapport de 1999 du commissaire à l'environnement et au développement durable intitulé *Avancer dans la voie du progrès*. Ce rapport précise les attentes du commissaire pour la deuxième série de stratégies de développement durable.

35.10 Dans ce chapitre, nous présentons notre deuxième stratégie, notamment :

- une description du Bureau — notre mandat, nos travaux et l'incidence que nous désirons avoir;
- un sommaire de notre performance et les leçons tirées de notre première stratégie;
- nos objectifs, nos indicateurs de la performance et les résultats prévus pour les trois prochaines années.

La stratégie de développement durable du Bureau du vérificateur général

Chapitre 35 – Résumé

35.1 Dans notre deuxième stratégie de développement durable, nous nous engageons à aider le gouvernement fédéral à améliorer de manière continue sa gestion des questions liées à l'environnement et au développement durable et à veiller à ce que la gestion de nos propres activités soit respectueuse de l'environnement.

35.2 Nous avons fait des progrès satisfaisants en ce qui concerne la mise en oeuvre de notre première stratégie, mais nous devons encore apporter des améliorations dans plusieurs secteurs. Notre plus grand défi consiste à intégrer davantage à nos travaux de vérification les questions liées à l'environnement et au développement durable. Nous devons mieux documenter les changements apportés à notre plan d'action et nous devons aussi actualiser notre plan de formation relatif à l'environnement et au développement durable et terminer sa mise en oeuvre.

35.3 L'expérience que nous avons acquise avec la première stratégie nous a permis de simplifier notre méthode de gestion des questions liées au développement durable. Nous avons réduit le nombre de buts et d'objectifs ainsi que le nombre d'indicateurs de la performance qui servent à mesurer nos progrès. Nous avons aussi établi un lien entre nos actions et les résultats prévus. Grâce à la première stratégie, nous avons appris qu'il faut établir un équilibre entre nos aspirations sur le plan environnemental et d'autres facteurs, par exemple une meilleure qualité de vie au travail.

35.4 Au cours des trois dernières années, le Bureau — y compris le commissaire à l'environnement et au développement durable — a fait rapport au Parlement sur divers sujets, notamment la façon dont le gouvernement gère le smog, les substances toxiques, les changements climatiques, les déchets dangereux, la biodiversité et les pêches durables. Nous avons examiné la mise en oeuvre de la première série de stratégies de développement durable. Enfin, nous avons évalué la performance des ministères et des organismes et nous leur avons donné des conseils pour améliorer leur gestion des questions liées à l'environnement et au développement durable et pour réduire les répercussions environnementales de leurs propres activités.

35.5 Au cours des trois prochaines années, nous continuerons d'effectuer des vérifications sur les questions liées à l'environnement et de faire le suivi de nos vérifications précédentes. Nous prévoyons faire rapport en 2001 sur la manière dont le gouvernement fédéral gère ses responsabilités à l'égard de certaines questions de développement durable qui touchent le bassin des Grands Lacs et du Saint-Laurent.

35.6 À la suite des modifications apportées à la *Loi sur le vérificateur général* en 1995, lesquelles intégraient officiellement à notre mandat les questions liées au développement durable, 24 ministères et organismes fédéraux ont déposé leur première stratégie de développement durable à la Chambre des communes en décembre 1997. Quatre autres ministères et organismes, dont le Bureau du vérificateur général, ont volontairement soumis leur stratégie. La *Loi sur le vérificateur général* exige que les stratégies soient mises à jour tous les trois ans. La deuxième série de stratégies doit être déposée au plus tard en décembre 2000, si le Parlement siège.

35.7 Le cadre de notre stratégie de développement durable est centré sur trois grands secteurs : nos travaux de vérification, nos activités quotidiennes et nos ressources humaines. À notre avis, ce sont nos vérifications et études des organismes fédéraux qui ont les plus grandes répercussions.

35.8 Cette stratégie vise à promouvoir le développement durable parmi les parlementaires, les organismes fédéraux et la population canadienne en général. Plus précisément, elle montre aux parlementaires comment nous

Autres observations de vérification

Chapitre 34 – Points saillants

34.1 La *Loi sur le vérificateur général* exige du vérificateur général qu'il inclue dans ses rapports les questions d'importance qui, à son avis, devraient être portées à l'attention de la Chambre des communes.

34.2 Ce chapitre joue un rôle particulier dans les rapports. D'autres chapitres présentent habituellement les constatations découlant de nos vérifications de l'optimisation des ressources ou de vérifications et d'études qui portent sur des activités du gouvernement dans son ensemble. Dans les « Autres observations de vérification », nous faisons rapport sur des questions précises dont nous avons pris connaissance au cours de nos vérifications comptables et de nos vérifications de conformité aux autorisations des comptes publics du Canada, des états financiers des sociétés d'État et d'autres entités ou au cours de nos vérifications de l'optimisation des ressources.

34.3 Dans ce chapitre, nos observations portent sur les sujets suivants :

- Énergie atomique du Canada limitée comptabilise son passif au titre du déclassement et de la remise en état des infrastructures;
- la gestion des abus et des fraudes soupçonnés dans le programme d'assurance-emploi;
- manque de clarté quant à la méthode d'établissement des taux de cotisation à l'assurance-emploi;
- investissement fédéral dans les grands projets scientifiques : l'Observatoire de neutrinos de Sudbury.

34.4 Même si chaque observation de vérification signale des questions importantes, le lecteur ne doit pas s'en servir pour tirer des conclusions au sujet de points que nous n'avons pas examinés.

ressources humaines Canada a augmenté le nombre d'enquêtes sur les fraudes et les abus touchant le NAS et il prend actuellement des mesures visant à régler d'autres problèmes cernés lors de notre vérification. Toutefois, une étude exhaustive sur l'incidence de l'utilisation du NAS s'avère toujours nécessaire pour bien comprendre les implications pratiques, économiques et politiques de celle-ci.

33.7 Le gouvernement a fait des progrès relativement à la mise en oeuvre de sa **Stratégie d'information financière**, mais il reste encore beaucoup à faire pour que les systèmes financiers et les politiques de mise en oeuvre de la comptabilité d'exercice soient en place avant l'échéance d'avril 2001. L'intégration à long terme d'une information financière de meilleure qualité dans la prise de décisions de gestion quotidienne est un défi constant.

33.8 En plus des suivis mentionnés ci-dessus, le présent chapitre comprend des rapports des suivis sur l'**Agence des douanes et du revenu du Canada,** le **ministère des Finances, Développement des ressources humaines Canada** et **Anciens Combattants Canada**. D'autres suivis figurent dans divers chapitres des rapports de 2000.

Suivi des recommandations formulées dans des rapports antérieurs

Chapitre 33 – Points saillants

33.1 Les rapports de cette année indiquent que certaines entités ont mieux réussi que d'autres à mettre en oeuvre des mesures correctives. Bon nombre d'entre elles ont fait des progrès satisfaisants dans certains domaines, avons-nous observé, mais dans beaucoup d'autres, leurs progrès sont décevants. Certaines entités ont pris un bon départ en ce qui concerne la mise en oeuvre des changements, mais elles ont tardé à les parachever. Peu d'entités obtiennent une « note satisfaisante » pour la rapidité de la mise en oeuvre. Nous recommandons fortement à tous les ministères de déployer des efforts accrus pour accélérer le processus.

33.2 Notre vérification de 1998 de certains programmes de subventions et de contributions d'**Industrie Canada** et du **ministère du Patrimoine canadien** nous a permis de constater de piètres pratiques de gestion. Notre suivi a révélé qu'Industrie Canada donne suite de manière satisfaisante à nos recommandations. Cependant, nous avons découvert un nouveau problème — un paiement anticipé de 20 millions de dollars entraînant des frais d'intérêts pour le gouvernement pouvant atteindre 5 millions de dollars. Nous avons constaté que le ministère du Patrimoine canadien n'a pas amélioré, de façon adéquate, la gestion des subventions et des contributions dans le cadre de son Programme du multiculturalisme. Les objectifs du Programme demeurent obscurs et il subsiste encore de graves problèmes compromettant l'exercice d'une diligence raisonnable. Nous prévoyons faire de nouveau rapport l'an prochain sur les progrès réalisés par le Ministère à ce chapitre.

33.3 Notre suivi de trois chapitres antérieurs sur la gestion des pêches de l'Atlantique a révélé que **Pêches et Océans** va de l'avant avec un plan visant l'élaboration et l'approbation d'un cadre pour des pêches durables et la mise en oeuvre d'une nouvelle approche de la gestion des pêches dans l'Atlantique. Même si les plans semblent tenir compte de nos principales recommandations, le Ministère devra parachever la politique et préparer des processus, des procédures et des mesures législatives détaillés à l'appui de la nouvelle approche de gestion avant que nous ne puissions conclure que nos recommandations ont été entièrement appliquées.

33.4 Depuis que nous avons fait rapport sur **le vieillissement de la population et l'information destinée au Parlement**, le processus budgétaire est plus transparent et plus prospectif. L'ajustement des prévisions budgétaires en fonction du facteur de « prudence » figure maintenant explicitement au lieu d'être inclus dans les recettes et les dépenses prévues. De plus, on a étendu la perspective financière de deux à cinq ans, mais cela ne suffit toujours pas à montrer l'incidence du revirement démographique qui se produira entre la première et la troisième décennie du siècle.

33.5 Les ministères et organismes responsables de la planification et de la construction de l'immeuble abritant l'**administration centrale du Service canadien du renseignement de sécurité** et du complexe de **laboratoires fédéraux de santé humaine et animale** ont donné suite à la plupart des recommandations et des observations de la vérification initiale. Toutefois, les laboratoires situés à Winnipeg demeurent fortement sous-utilisés. Le Secrétariat du Conseil du Trésor n'a commencé que récemment à examiner son rôle de surveillant et ses méthodes afin d'assurer un niveau de surveillance adéquat des grands projets de l'État. Travaux publics et Services gouvernementaux Canada n'a pas réglé certaines questions relatives à la passation de marchés telles que la définition des erreurs et des omissions dans les documents contractuels et l'intégration d'incitatifs efficaces qui contribueront à réduire les coûts.

33.6 À la suite de notre vérification de la gestion du numéro d'assurance sociale (NAS), le gouvernement a pris des mesures pour améliorer l'intégrité des données du Registre d'assurance sociale. **Développement des**

- la priorité relativement faible accordée à l'accroissement de la productivité des services de soutien de la Défense dans les nombreux programmes du Ministère;
- la nécessité de faire face continuellement à des réductions d'effectifs et à des compressions budgétaires pendant toute la période de renouvellement;
- l'absence de plan stratégique pour guider les efforts de réforme du Ministère durant la période quinquennale de renouvellement (1994 à 1999).

Contexte et autres observations

32.7 Les navires, les brigades de la Force terrestre et les escadrons aériens qui sont opérationnels peuvent compter sur un système de soutien qui, entre autres choses, assure l'administration du personnel, la maintenance et l'instruction et fournit des vivres, du carburant et du matériel. Sur un effectif d'environ 60 000 membres, quelque 36 000 personnes se consacrent aux opérations et à l'instruction tandis que les autres s'occupent principalement du soutien continu. Sur le plan financier, les services de soutien absorbent environ 45 p. 100 du budget de la Défense nationale (11 milliards de dollars). Lors de la présente vérification, nous avons examiné la mesure dans laquelle le Ministère avait réussi à améliorer la productivité des fonctions de soutien vérifiées en 1996. Ces fonctions ne représentent qu'une partie des ressources utilisées par les services de soutien. Il est important de mesurer et d'accroître la productivité des services de soutien de la Défense afin de s'assurer que les fonctions de soutien accaparent le moins possible de ressources de sorte que l'on puisse affecter un maximum de ressources aux opérations.

32.8 En 1994, pour donner suite au *Livre blanc sur la défense de 1994*, la Défense nationale a entrepris un programme quinquennal de renouvellement dans le but de consacrer un maximum de ressources au potentiel de combat des Forces canadiennes en réduisant le coût des activités de soutien. De 1994 à 1999, l'effectif militaire est passé de 76 000 à quelque 60 000 membres. L'effectif civil est passé quant à lui de 32 000 à environ 20 000 employés. Durant cette période de rapides réductions de l'effectif, la Défense nationale a effectué plusieurs déploiements importants au pays et à l'étranger.

Le présent chapitre présente la réponse de la Défense nationale (paragraphe 32.126) à nos observations et recommandations. Le Ministère souligne le fait qu'il a dû relever de nombreux défis et faire face à des priorités concurrentes qui ont entravé sa capacité d'améliorer la productivité. Des représentants du Ministère nous ont déclaré que la planification des activités les avait davantage sensibilisés à la nécessité de l'efficience et que le document qui traitera de la stratégie pour l'année 2020 présentera un cadre général du processus de changement.

La Défense nationale reconnaît que l'élaboration de données sur les coûts par activité a été lente, mais affirme que cela, par contre, n'a pas affecté le processus de prise de décisions. Le Ministère poursuit son élaboration d'un cadre de mesure du rendement.

Défense nationale

La productivité des services de soutien de la Défense : un rapport d'étape

Chapitre 32 – Points saillants

32.1 La Défense nationale n'a pas encore terminé la mise en oeuvre des mesures qu'elle a prises depuis 1994 afin de se transformer en une organisation davantage axée sur le modèle de l'entreprise privée et afin de maintenir ses capacités militaires malgré la réduction des ressources financières et humaines. Elle poursuit toujours ses efforts en vue de réformer les services que nous avons examinés en 1996 et qui sont offerts en soutien aux équipages des navires, aux brigades de la Force terrestre et aux escadrons aériens des Forces canadiennes.

32.2 En 1996, nous avons signalé que la productivité des fonctions de soutien des bases/escadres, à savoir la maintenance des véhicules, l'approvisionnement et le transport, avait baissé ou qu'elle était inférieure à celle enregistrée par les fournisseurs de services similaires. Cette année, nous avons constaté qu'en raison de vastes changements apportés à l'organisation et aux processus nous ne pouvions plus mesurer la productivité. En outre, les gestionnaires des bases/escadres ne pouvaient pas nous dire s'ils étaient plus productifs ou moins productifs qu'en 1996.

32.3 Bien que le nombre de jours d'instruction produits par chaque membre du personnel des écoles des Forces canadiennes ait diminué depuis 1996, 14 écoles pourraient ne pas être en mesure d'offrir toute l'instruction individuelle requise dans l'avenir.

32.4 Les efforts déployés par la Défense nationale en vue d'accroître la productivité de la maintenance des aéronefs ont été relativement fructueux, mais la mise en place du système de gestion de la qualité FA 9000 Plus est au point mort.

32.5 Le Ministère a connu un succès limité pour ce qui est de créer un contexte plus proche du modèle de l'entreprise privée dans le cadre des initiatives de renouvellement que nous avons examinées.

- Les plans d'activités, bien qu'ils aident à rationner des ressources de plus en plus limitées, ne présentent toujours pas de mesures du rendement. Les gestionnaires s'interrogent encore sur la pertinence de l'information sur les coûts. C'est pourquoi ils ont du mal à déterminer si la productivité augmente ou diminue.
- Le transfert des budgets de fonctionnement à l'échelon le plus bas de l'organisation a semé la confusion au sujet des rôles et des responsabilités. Les gestionnaires ne possèdent ni les connaissances ni l'expérience voulues pour assumer leurs nouvelles responsabilités. Le Ministère n'a pas offert une instruction adéquate en ce qui a trait aux nouveaux systèmes d'information et la complexité des systèmes a compliqué plutôt que simplifié les initiatives de restructuration et de transfert. Le Ministère a pris un certain nombre de mesures pour régler ces problèmes.
- Le Ministère poursuit ses efforts en vue de transformer sa culture organisationnelle, mais il n'a pas encore défini les priorités en matière de changement culturel.
- Comme ou pourrait s'y attendre, les deux grands projets de diversification des modes de prestation des services qui sont le plus étroitement liés à la productivité des services de soutien de la Défense se heurtent à une forte résistance de la part des employés potentiellement touchés. Le Ministère compte réaliser des économies dès 2004.

32.6 Nous avons constaté que l'absence de progrès mesurables en ce qui concerne l'accroissement de la productivité des services de soutien est attribuable à plusieurs facteurs, notamment :

31.5 En 1999-2000, Pêches et Océans a dépensé environ 229 millions de dollars pour l'exploitation, l'entretien et le remplacement d'immobilisations de la flotte. En outre, un montant estimatif de 52 millions de dollars a été dépensé pour le soutien à terre.

31.6 Les ressources humaines de la flotte sont sa plus grande dépense de fonctionnement. Au 1er avril 2000, il y avait 756 officiers et 1 308 membres d'équipage affectés aux navires, mais le nombre d'employés varie au cours de l'année en fonction des besoins saisonniers. En outre, selon nos estimations prudentes, il y a environ 447 postes (équivalents temps plein) qui assurent à terre un soutien direct à la flotte et quelque 55 postes au Collège de la Garde côtière canadienne qui fournissent directement une formation aux membres de la flotte.

31.7 Notre vérification a porté sur les 47 gros navires qui étaient en service pendant une certaine période en 1999-2000, sur les navires désarmés, ainsi que sur le personnel navigant et sur le personnel à terre qui participaient directement à la gestion et à l'exploitation de la flotte. Les gros navires représentent chaque année entre 70 p. 100 et 80 p. 100 du coût de fonctionnement de la flotte.

31.8 Depuis 1994, la flotte a dû faire face à des compressions budgétaires importantes, à la fusion (en 1995) de l'ancienne flotte de la Garde côtière canadienne de Transports Canada avec les flottes de Pêches et Océans (l'une chargée des activités scientifiques et l'autre, de l'application des règlements sur les pêches) et à d'autres restrictions financières liées à la fusion (de 1996 à aujourd'hui). Nous nous attendions à trouver certains problèmes de gestion, compte tenu des changements que la flotte avait subis; nous sommes toutefois préoccupés par le nombre et l'importance des questions que nous avons relevées. À notre avis, le règlement de ces questions requiert une action rapide de la direction.

31.9 Les questions soulevées dans le présent chapitre sont de taille et représentent donc un défi pour la direction, mais il convient de souligner que le Ministère a pris plusieurs initiatives qui sont importantes pour le fonctionnement de la flotte. La principale est l'application courante du Code international de gestion pour la sécurité de l'exploitation des navires et la prévention de la pollution (Code ISM). En outre, en 1999-2000, les responsables des programmes et de la flotte ont identifié les navires existants que la flotte pouvait se permettre d'exploiter, dans les limites du budget alloué, tout en fournissant le meilleur service possible. Cet exercice n'a pas permis de répondre aux problèmes susmentionnés, mais il pourrait apporter une certaine stabilité au cadre de fonctionnement de la flotte.

La réponse globale du Ministère est insérée à la suite du paragraphe 31.139. Pêches et Océans accepte nos constatations et indique qu'il a lancé une étude afin d'élaborer des options stratégiques aux fins de la gestion de la flotte. À la suite de l'étude, le Ministère prévoit établir un plan d'action qui touchera sept secteurs précis englobant les questions que nous avons soulevées.

Pêches et Océans

La gestion de la flotte

Chapitre 31 – Points saillants

31.1 À notre avis, Pêches et Océans ne gère pas sa flotte de façon rentable. On constate de grosses différences au niveau des pratiques et des procédures employées par les cinq régions qui contrôlent l'exploitation de la flotte. Étant donné que chaque région a ses propres pratiques, procédures d'exploitation et mécanismes de soutien, le Ministère n'a pas toujours toute la souplesse voulue pour partager les ressources et augmenter la productivité lors de la prestation des services de la flotte.

31.2 Voici les problèmes que nous avons constatés au niveau des pratiques de gestion qui sont importantes pour assurer un fonctionnement rentable de la flotte :

- Le Ministère n'a pas établi d'attentes claires, concrètes, réalistes et convenues en ce qui a trait au rendement de la flotte.
- L'horizon de financement est d'un an seulement, même si la flotte représente une activité à haute intensité de capital, dont les coûts fixes sont élevés.
- Il n'y a pas d'accords de service entre les programmes du Ministère et la flotte, qui établissent clairement les ententes sur les normes de rendement et le financement.
- Les processus budgétaires internes ne favorisent pas la reddition de comptes pour les activités de la flotte.
- Les systèmes d'information ne sont pas intégrés et les gestionnaires ne reçoivent pas en temps voulu des données fiables sur le rendement et les coûts.
- La méthode d'imputation des coûts aux programmes n'incite pas à utiliser les navires.
- La flotte n'emploie pas la méthode du cycle de vie pour gérer ses navires.
- La flotte ne gère pas de façon appropriée sa plus grande dépense de fonctionnement, les ressources humaines.
- Le soutien à terre est trop important, compte tenu de la taille actuelle de la flotte.
- Il y a des lacunes dans les rapports d'intendance présentés au Parlement.

31.3 En réglant ces questions par ordre de priorité (on ne peut pas les régler toutes à la fois), le Ministère doit aussi envisager d'établir une stratégie à long terme pour renouveler sa flotte vieillissante. À cet effet, il devrait prendre en considération l'évolution des besoins des programmes, l'impact des progrès technologiques et la diversification éventuelle des modes d'acquisition des services nécessaires.

Contexte et autres observations

31.4 Au 31 mars 2000, la flotte comptait 144 navires (122 navires étaient en service pendant une certaine période en 1999-2000), qui allaient de la petite embarcation multitâche de 8 mètres au brise-glace lourd de golfe de 111 mètres. La flotte joue un rôle essentiel dans la prestation de services comme les aides à la navigation, le déglaçage, le volet maritime de recherche et sauvetage, ainsi que la prévention de la pollution marine et l'intervention environnementale. Elle appuie aussi le Ministère dans ses activités concernant l'application des règlements sur les pêches, les sciences halieutiques, l'hydrographie, l'océanographie et les autres sciences de la mer.

croissance avant d'être récoltés à l'état adulte. C'est à l'étape de leur élevage en enclos ouvert que peuvent se produire des interactions avec le saumon sauvage et son habitat. En outre, les enclos ouverts sont susceptibles d'être endommagés, ce qui peut entraîner l'évasion de saumons d'élevage.

Le Ministère accepte la teneur du présent chapitre.

Pêches et Océans

Les effets de la salmoniculture en Colombie-Britannique sur la gestion des stocks de saumon sauvage

Chapitre 30 – Points saillants

30.1 Pêches et Océans gère l'industrie de la salmoniculture en supposant qu'elle ne pose qu'un faible risque global pour le saumon sauvage et son habitat. Toutefois, le Ministère ne s'acquitte pas pleinement des obligations que lui impose la *Loi sur les pêches* de protéger les stocks de saumon sauvage du Pacifique et leur habitat contre les effets de la salmoniculture. Nous avons constaté que le Ministère :

- ne s'acquitte pas pleinement de ses responsabilités réglementaires actuelles concernant l'application de la *Loi sur les pêches* à l'égard des exploitations salmonicoles;
- effectue de la recherche et collabore avec la province de la Colombie-Britannique (C.-B.) à l'élaboration d'un cadre de réglementation de la salmoniculture, mais la recherche et la surveillance visant à évaluer les effets des exploitations salmonicoles présentent des lacunes;
- n'a pas établi de plan officiel de gestion des risques et d'évaluation des éventuels effets environnementaux cumulatifs que pourraient comporter les propositions de nouveaux établissements salmonicoles, dans l'éventualité où la décision était prise de développer davantage l'industrie.

30.2 Pour atteindre l'objectif d'assurer la coexistence d'une pêche durable du saumon et de l'industrie salmonicole, le Ministère doit de toute urgence combler ces lacunes en consultation avec la province. Il a récemment obtenu des fonds supplémentaires dont il prévoit se servir pour donner suite aux préoccupations de l'industrie et du public. Certains de ses projets portent sur la gestion de l'habitat, d'autres comportent des études supplémentaires concernant les effets d'exploitations salmonicoles sur l'habitat du poisson ainsi que les effets des interactions entre les stocks salmonicoles et sauvages. Le Ministère a avisé la province de la C.-B. et l'industrie salmonicole qu'elle entend procéder à l'évaluation de toutes les exploitations piscicoles afin d'assurer leur conformité à la *Loi sur les pêches*.

Contexte et autres observations

30.3 La présente vérification est la troisième que nous effectuons depuis 1997, portant sur les programmes du Ministère en matière de gestion du saumon du Pacifique. Les deux premières vérifications portaient sur la protection de l'habitat et sur la gestion des pêches du saumon. Nous avions alors constaté que la perte d'habitat du saumon se poursuivait et que certains stocks de saumon sauvage étaient en déclin. Au fil du temps, la salmoniculture pourrait exercer davantage de pression sur les stocks de saumon sauvage, surtout si l'industrie prend de l'expansion. Nous avons constaté que le Ministère n'avait pas élaboré de plan d'évaluation et de gestion des risques à long terme.

30.4 Comme peu d'études scientifiques s'appliquent directement à la situation qui règne en C.-B., il est difficile de se prononcer sur les effets de la salmoniculture. Des preuves scientifiques récentes indiquant que des saumons de l'Atlantique évadés se reproduisent dans des cours d'eau de la C.-B. et l'expansion éventuelle de l'industrie salmonicole soulèvent de nouvelles questions quant aux effets sur les stocks de saumon sauvage, notamment les effets cumulatifs sur l'environnement et les ressources halieutiques.

30.5 L'élevage du saumon de l'Atlantique débute dans des écloseries d'eau douce, puis, à la phase juvénile, les poissons sont transférés dans des enclos ouverts installés dans les eaux côtières de la C.-B. pour y terminer leur

renseignements adéquats sur la passation des marchés est la source des préoccupations qui ont retenu l'attention du Comité permanent des opérations gouvernementales de la Chambre des communes dans les rapports qu'il a publiés en 1995 et en 1997. En 1999, le Comité des comptes publics a également exprimé des préoccupations au sujet de l'information communiquée et il a recommandé que les rapports futurs soient vérifiés.

29.6 Nous recommandons que le Secrétariat du Conseil du Trésor rende le *Rapport annuel sur les marchés* plus utile en présentant séparément l'information concernant les modifications, les offres à commandes et les paiements effectués par cartes de crédit. Nous recommandons également qu'il précise dans le Rapport les raisons pour lesquelles un marché est attribué à un fournisseur en particulier. Il conviendrait en outre que le Secrétariat du Conseil du Trésor conçoive des systèmes d'assurance de la qualité qu'il appliquerait aux données utilisées aux fins de la préparation du Rapport. Le Secrétariat devrait également veiller à résoudre les questions d'ordre conceptuel et les questions liées à la présentation que nous avons cernées. Un peu plus d'efforts et d'attention de la part des responsables des achats permettront d'apporter d'importantes améliorations à la communication des données statistiques.

Comme on le signale dans la section « Événement postérieur » (paragraphe 29.76), le Secrétariat du Conseil du Trésor a déjà pris des mesures pour répondre à un certain nombre de nos préoccupations. Dans ses réponses à nos recommandations, le Secrétariat indique qu'il poursuit activement la mise en oeuvre de certaines d'entre elles et qu'il prend les autres en compte.

Secrétariat du Conseil du Trésor

Rapport annuel sur les marchés du gouvernement — 1998

Chapitre 29 – Points saillants

29.1 Le présent chapitre est consacré au *Rapport annuel sur les marchés* du Secrétariat du Conseil du Trésor pour l'année civile 1998. Le Rapport donne aux Canadiens un aperçu statistique annuel du nombre de marchés passés conformément au *Règlement sur les marchés de l'État* et à la *Politique sur les marchés* du gouvernement, et de la valeur qu'ils représentent. La valeur des marchés déclarés en 1998 s'établissait à 13,4 milliards de dollars (le Programme d'entraînement en vol de l'OTAN au Canada, de 2,99 milliards de dollars étant compris), soit plus d'un tiers du coût de fonctionnement du gouvernement de 35,7 milliards de dollars.

29.2 Les mécanismes en place pour recueillir les données nécessaires à la préparation du Rapport permettent de saisir la plupart des renseignements requis et offrent la possibilité de préparer un document valable et utile. Néanmoins, notre vérification a mis au jour des lacunes importantes en ce qui touche la validité, la fiabilité, la transparence et la pertinence des données communiquées dans le Rapport. (Nous définissons ces termes dans le chapitre.)

29.3 Plus précisément, les lacunes relevées dans le Rapport de 1998 se rapportent aux aspects qui suivent :

- **La validité :** Les transactions liées aux modifications apportées aux marchés, aux offres à commandes et aux paiements effectués par cartes de crédit figurent parmi les renseignements fournis sur les principales activités liées à la passation des marchés. L'information sur ces transactions devrait figurer dans des parties distinctes du Rapport.
- **La fiabilité :** La vérification a permis de découvrir que l'information fournie sur le nombre de marchés et la valeur monétaire qu'ils représentent était incomplète. Par exemple, le Rapport restait silencieux sur des marchés représentant au moins 320 millions de dollars, dont il aurait fallu rendre compte. Nous avons également constaté que l'information fournie sur la classification des marchés était douteuse.
- **La transparence :** Le Rapport de 1998 ne contient pas suffisamment de notes explicatives ou de liens pour permettre au lecteur non connaisseur de comprendre l'approche adoptée pour la préparation du Rapport et la signification des principaux termes utilisés dans la présentation des données.
- **La pertinence :** Comme les rapports parus antérieurement, le Rapport de 1998 a été publié plus d'un an après l'expiration de la période de référence, ce qui en affaiblit la pertinence. En outre, il ne contient pas suffisamment de renseignements sur des questions précises pour répondre aux besoins du public et des parlementaires. Ces besoins ont été établis par des comités parlementaires.

29.4 Les données fournies ne nous permettent pas de quantifier l'effet de plusieurs de ces lacunes sur le Rapport, ni d'évaluer leur interaction réciproque. Par conséquent, nous ne pouvons déterminer dans quelle mesure ces lacunes nuisent à la présentation fidèle du Rapport dans son ensemble.

Contexte et autres observations

29.5 Le Bureau du vérificateur général a toujours insisté pour que l'on publie de façon fidèle et pertinente des données statistiques sur la passation des marchés par le gouvernement. Nous avons soulevé la question pour la première fois en 1982 et plus récemment dans nos rapports parus en 1991 et en 1997. L'absence de

Suivi de recommandations antérieures sur des programmes de réglementation relatifs à la santé et la sécurité

Chapitre 28 – Points saillants

28.1 Le présent chapitre expose le suivi de trois vérifications portant sur les programmes fédéraux de réglementation relatifs à la santé et à la sécurité qui ont déjà fait l'objet d'un rapport. Le segment sur la protection des végétaux et la santé des animaux constitue le suivi du suivi qui a été présenté dans le chapitre 28 du Rapport de 1998.

28.2 Depuis notre vérification de 1996 sur la protection des végétaux et la santé des animaux, des mesures ont été prises au sein de l'Agence canadienne d'inspection des aliments pour donner suite à nos recommandations concernant l'évaluation des risques et les nouveaux modes de prestation des services; cependant, il y a encore à faire. Comme bon nombre de nos recommandations portaient sur des mesures à long terme, nous ne nous attendions pas à ce qu'elles aient été complètement mises en oeuvre. Les progrès sont satisfaisants, sauf dans plusieurs domaines particuliers.

28.3 Transports Canada a fait des progrès satisfaisants dans les domaines de l'analyse des risques, de la vérification et de l'inspection. Toutefois, il n'a pas encore effectué ni prévu d'examen formel de la qualité des données du Système de comptes rendus quotidiens des événements de l'aviation civile (CADORS) ou de toutes les autres données sur le rendement de la sécurité que lui fournit régulièrement NAV CANADA. Le Ministère n'a pas non plus encore établi de processus formel pour rapprocher les données qu'il reçoit de NAV CANADA et celles du système de compte rendu des incidents du Bureau de la sécurité des transports afin de s'assurer de leur intégralité.

28.4 L'Office national de l'énergie a fait des efforts raisonnables pour remplir ses engagements et mettre en oeuvre nos recommandations. Ses progrès sont plus lents que prévu dans certains domaines, mais tout est en place pour assurer une mise en oeuvre complète dans un avenir rapproché. L'Office a confié à des cadres supérieurs la bonne marche de ses initiatives en ce sens, ce qui témoigne de son sérieux.

Commission canadienne de sûreté nucléaire

La réglementation des centrales nucléaires

Chapitre 27 – Points saillants

27.1 La Commission canadienne de sûreté nucléaire (CCSN) doit améliorer son régime de réglementation des centrales nucléaires pour continuer de protéger la santé et la sécurité des Canadiens.

27.2 La CCSN exerce une surveillance continue de la mesure dans laquelle les titulaires de permis de réacteurs nucléaires (ou réacteurs de puissance) se conforment aux exigences réglementaires. Toutefois, ses activités de réglementation ne sont pas basées sur un système rigoureux et bien documenté d'analyse des risques, et les cotes qualifiant le rendement des titulaires de permis (acceptable, acceptable sous condition ou inacceptable) ne sont pas claires. En outre, son système de contrôle de la conformité aux exigences réglementaires et de leur application n'a pas encore été finalisé. Par conséquent, la CCSN ne peut démontrer de façon adéquate qu'elle atteint les objectifs de sûreté visant à règlementer les centrales nucléaires.

27.3 À l'instar d'autres organismes de réglementation nucléaire, la CCSN éprouve de sérieuses difficultés à recruter et à retenir du personnel qualifié. Jointe au fait que son régime de réglementation repose largement sur l'expertise et le jugement de son personnel, l'insuffisance de sa capacité en ressources humaines pourrait nuire à son aptitude à bien fonctionner dans l'avenir.

Contexte et autres observations

27.4 La *Loi sur la sûreté et la réglementation nucléaires* est entrée en vigueur le 31 mai 2000. Elle a établi la Commission canadienne de sûreté nucléaire en remplacement de la Commission de contrôle de l'énergie atomique. La CCSN est chargée de réglementer l'utilisation de l'énergie nucléaire au Canada afin de protéger la santé, la sûreté, la sécurité et l'environnement. Notre vérification avait pour objet les activités de réglementation et de délivrance de permis d'exploitation visant les centrales nucléaires.

27.5 La CCSN compte 440 employés. Son administration centrale se trouve à Ottawa. Elle maintient un bureau de site à chacune des centrales nucléaires, où son personnel veille à ce que le titulaire de permis se conforme aux règlements et aux conditions du permis. Au cours de l'exercice 2000, la totalité des coûts de la CCSN s'est chiffrée à 59 millions de dollars.

27.6 En juillet 1999, on comptait quelque 440 réacteurs nucléaires au monde, dont 22 au Canada — 20 réacteurs nucléaires en Ontario, un au Québec et un au Nouveau-Brunswick. Les États-Unis possèdent 104 réacteurs nucléaires.

La Commission canadienne de sûreté nucléaire est d'accord avec nos recommandations et elle prend des mesures pour les mettre en oeuvre.

d'autres interventions — soient également à jour et suffisamment souples pour s'adapter à des besoins qui ne cessent d'évoluer.

26.6 Le Ministère suit une approche traditionnelle prescriptive pour réglementer la plupart des produits biologiques. Ce genre de cadre de réglementation est bien établi et offre certains avantages. Santé Canada estime cependant que ce cadre n'est pas suffisamment souple pour permettre de réglementer certains produits nouveaux et d'autres produits biologiques résultant des progrès technologiques. En conséquence, le Ministère compte adopter une approche fondée sur des normes en matière de réglementation du sang, des tissus et des organes ainsi que des xénogreffes. Suivant cette approche, des organismes indépendants d'élaboration de normes mettent au point des normes, de concert avec Santé Canada et d'autres parties intéressées.

26.7 Le *Règlement sur le traitement et la distribution du sperme destiné à la reproduction assistée* (appelé ci-après Règlement sur le sperme) était le seul cadre de réglementation touchant les produits biologiques qui intègrent, au moyen de renvois dans le Règlement, des normes élaborées par une tierce partie. Bien que cette approche semble comporter certains avantages, notamment la souplesse nécessaire pour s'adapter à l'évolution rapide de la technologie, certaines questions importantes méritent d'être examinées. Le Ministère doit s'assurer qu'une vérification de la conformité est effectuée de même qu'une reddition de comptes dans le cas d'un règlement qui comporte des renvois aux propres normes techniques du Ministère. Le Ministère doit appliquer les enseignements tirés de la mise en oeuvre du Règlement sur le sperme lorsqu'il élaborera des cadres de réglementation fondés sur des normes, le cas échéant.

Le présent chapitre comprend les réponses de Santé Canada aux recommandations que nous avons formulées. Le Ministère accepte nos recommandations et indique les mesures qu'il prend à l'heure actuelle ou qu'il entend prendre à l'égard des questions soulevées.

Santé Canada

Le régime de réglementation des produits biologiques

Chapitre 26 – Points saillants

26.1 Il ressort de notre vérification du régime de réglementation établi par Santé Canada pour les produits biologiques, que le Ministère a adopté une approche raisonnable pour l'élaboration et l'application de cadres et de stratégies servant à réglementer différents produits biologiques (sang et produits sanguins, cellules, tissus et organes d'origine humaine ou animale, vaccins et autres médicaments d'origine biologique). Nos travaux portent sur la gestion du régime réglementant les produits biologiques. Nos conclusions n'ont donc pas trait à l'efficacité de règlements précis ni à l'innocuité de produits particuliers.

26.2 Le Ministère a d'importants défis à relever. Il doit adopter les mesures suivantes :

- établir un cadre d'analyse plus précis pour permettre de déterminer l'approche qui, en matière de réglementation, convient le mieux dans une situation donnée:
- faire en sorte que les règlements soient à jour;
- recruter suffisamment d'employés qualifiés pour faire face aux progrès technologiques rapides dans le domaine des produits biologiques;
- mettre sur pied des bases de données suffisantes pour pouvoir traiter, analyser et diffuser adéquatement l'information sur les réactions et les effets indésirables.

26.3 En général, nous avons constaté que le Ministère a adopté une approche proactive pour la détermination des risques que présentent les produits biologiques pour la santé et la sécurité des Canadiens et des Canadiennes. Même si les connaissances scientifiques relativement à la xénotransplantation (le transfert à des êtres humains de cellules, de tissus et d'organes vivants non humains provenant d'animaux) ne sont pas encore au point, le Ministère a pris l'initiative de prévoir un régime de réglementation pour les xénogreffes. Toutefois, la mise en oeuvre du régime de réglementation pour la transplantation de tissus et d'organes humains a connu de nombreux retards. Des transplantations de ce type sont effectuées dans des hôpitaux depuis un certain nombre d'années.

Contexte et autres observations

26.4 Santé Canada a la responsabilité de réglementer les produits biologiques en vertu de la *Loi sur les aliments et drogues* et de son règlement d'application. L'objectif du Ministère est ainsi de veiller à ce que les produits biologiques disponibles au Canada soient sûrs, efficaces et de grande qualité. Le Bureau des produits biologiques et radiopharmaceutiques s'acquitte d'une bonne partie de cette tâche avec l'aide de plusieurs autres bureaux au sein de la Direction des produits thérapeutiques de la Direction générale des produits de santé et des aliments. La Direction générale de la santé de la population et de la santé publique exerce également certaines activités de surveillance.

26.5 L'innocuité des produits biologiques constitue un aspect important de la santé publique. Les progrès scientifiques rapides ont eu pour effet d'accroître les difficultés reliées à la réglementation. Bon nombre des lois fédérales qui régissent la santé et la sécurité ont été élaborées il y a quelques décennies. Grâce à la science, de nouveaux produits qui, jusqu'à tout récemment, auraient défié l'imagination, voient le jour. Certains produits et certaines pratiques comportent des risques possibles pour la santé et soulèvent des questions épineuses auxquelles la législation actuelle n'est peut-être pas vraiment en mesure de répondre. Il importe que la réglementation demeure à jour. Il faut aussi veiller à ce que les instruments nécessaires pour mettre en place des règlements — ou

Pêches et Océans Canada. Elle compte à l'heure actuelle quelque 4 400 employés disséminés dans tout le pays, et gère des dépenses de 416 millions de dollars. Ses principales activités sont axées sur la sécurité de l'approvisionnement alimentaire, mais l'Agence s'intéresse également à la santé des animaux et à la protection des végétaux.

25.7 L'Agence n'assume pas seule la responsabilité à l'égard de la salubrité des aliments. Elle la partage avec d'autres ministères fédéraux et avec les autorités provinciales, territoriales et municipales. L'industrie et les consommateurs ont aussi un rôle de premier plan à jouer. Santé Canada est chargé d'établir les politiques et les normes en matière d'innocuité et de qualité nutritionnelle des aliments. L'Agence exécute les programmes fédéraux d'inspection conçus pour faire respecter ces politiques et ces normes.

25.8 L'Agence évolue dans un environnement complexe qui est la résultante de nombreux facteurs, dont l'évolution des risques alimentaires, des technologies, des méthodes d'inspection, des exigences internationales, des tendances à la consommation et des perceptions des consommateurs.

25.9 Notre vérification s'est attachée à évaluer comment l'Agence gère l'inspection des aliments en vue d'atténuer les menaces à leur salubrité.

25.10 Nous avons constaté qu'une stratégie officielle était nécessaire pour la mise en oeuvre de l'approche HACCP. Il y a lieu de dresser un plan pour la période de transition, lequel devra préciser comment gérer les ressources pendant cette période. En outre, l'Agence n'a pas recueilli suffisamment d'information pour pouvoir mesurer le succès de cette approche pour ce qui est d'améliorer la salubrité des aliments. Le remaniement de cette approche dans les industries des viandes et sa mise en oeuvre pour exiger des établissements qu'ils procèdent à du dépistage avant et après l'abattage, sous le contrôle et la surveillance continus du gouvernement, pourraient prendre de nombreuses années. Et il faudra sans doute beaucoup de temps aussi pour lancer un programme de réduction des agents pathogènes dans ces industries. Cela contraste avec les importants progrès enregistrés dans l'industrie avicole.

25.11 On note d'importantes lacunes dans l'information dont l'Agence dispose sur la fréquence des toxi-infections alimentaires chez les humains et sur la prévalence des agents pathogènes dans l'approvisionnement alimentaire. Le problème se trouve compliqué par le fait que ce n'est pas elle qui est chargée de réunir une partie de cette information. Toutefois, sans une telle information, il devient plus difficile de gérer les menaces à la salubrité des aliments et de mesurer le succès des initiatives de l'Agence et leur contribution à la salubrité de l'approvisionnement alimentaire.

25.12 L'Agence a consulté les provinces, l'industrie et le public concernant certains, mais non la totalité, des projets et enjeux importants. Il s'ensuit qu'elle a raté des occasions d'ouvrir un vaste débat public sur d'importantes questions, dont les suivantes : compte tenu de son mandat, dans quelle mesure l'Agence devrait-elle inspecter le secteur non enregistré au fédéral? L'Agence devrait-elle continuer de laisser à l'industrie une latitude aussi considérable dans la mise en oeuvre de l'approche HACCP? Devrait-elle donner le ton à l'échelle internationale en mettant en oeuvre une approche HACCP remaniée dans l'industrie des viandes? Il est important que l'Agence invite les parties intéressées, y compris les parlementaires et le public, à participer à un débat sur ces questions.

On trouvera dans le chapitre les réponses de l'Agence canadienne d'inspection des aliments. L'Agence accepte toutes nos recommandations, sauf une. Elle a fait état d'un certain nombre de mesures qu'elle est en voie de prendre ou qu'elle entend prendre pour y donner suite. L'Agence n'est pas d'accord avec notre recommandation pour ce qui est du secteur non enregistré au fédéral. Sa position est reflétée dans sa réponse qui suit le paragraphe 25.82.

Agence canadienne d'inspection des aliments

Les programmes d'inspection des aliments

Chapitre 25 – Points saillants

25.1 La plupart des pays étrangers qui importent nos produits ont examiné les programmes d'inspection de l'Agence et ils les voient généralement d'un bon oeil. Cette rétroaction nous procure une certaine assurance que ces programmes contribuent à la salubrité de l'approvisionnement alimentaire canadien.

25.2 Depuis sa création en avril 1997, l'Agence a lancé un certain nombre d'initiatives visant à améliorer l'efficience et l'efficacité des services fédéraux d'inspection des aliments — l'une des principales raisons de sa création. Mentionnons notamment la mise en place d'un système d'inspection intégré (SII) pour favoriser une plus grande cohérence entre les programmes d'inspection, et l'adoption d'une approche fondée sur les principes de l'analyse des risques et de la maîtrise des points critiques (hazard analysis and critical control point – ou approche HACCP). Il s'agit d'un outil axé sur la prévention qui, pour améliorer la salubrité des aliments, mise sur l'évaluation des risques et l'établissement de systèmes de contrôle plutôt que sur la confiance dans l'analyse du produit final.

25.3 L'Agence a réalisé des progrès dans le cadre de bon nombre de ces initiatives, même si ceux-ci ont été variables, voire peu convaincants dans un petit nombre de cas. Nous avons constaté que l'Agence a éprouvé des difficultés à mettre en place un processus qui permette l'affectation des ressources en fonction du risque. Il s'ensuit qu'elle ne peut faire la preuve qu'elle a réparti ses ressources de façon judicieuse entre ses programmes d'inspection, sur la base du risque. Ce processus est particulièrement nécessaire dans le secteur, en pleine expansion, des aliments importés, qui est évalué à 15 milliards de dollars, et dans celui des établissements non enregistrés au fédéral, qui représente près de la moitié de l'industrie de la transformation des aliments. Nous avons également constaté que l'Agence a modifié son approche d'inspection dans le second de ces secteurs sans évaluer suffisamment les risques globaux et les options possibles pour les gérer. Un autre sujet de préoccupation est l'absence de stratégie officielle de mise en oeuvre de l'approche HACCP, et les écueils auxquels s'est heurté le SII.

25.4 Nous avons décelé des problèmes au chapitre des activités de contrôle de la conformité. Nous avons examiné 21 dossiers d'inspection provenant d'établissements qui avaient dû procéder à des rappels d'aliments ou fait l'objet de poursuites au cours des deux années précédentes. En 1999-2000, l'Agence a participé à 243 rappels et a gagné 59 poursuites. Nous avons constaté que dans 16 cas, le même problème ou un problème semblable persistait depuis plusieurs mois et, dans certains cas, depuis des années. Les mesures d'application que l'on a prises n'ont pas été suffisantes pour permettre à l'Agence d'atteindre son objectif, soit la correction rapide du problème de non-conformité; cette lacune tient soit aux limites de la législation, soit au manque de sévérité de la mesure prise par l'inspecteur.

25.5 Les moyens de mesurer le succès des initiatives et, de façon plus générale, le rendement de l'Agence pour ce qui est de l'atteinte de ses objectifs constituent une autre source de préoccupation. Nous avons constaté que l'Agence n'avait pas établi d'attentes ni de mesure de rendement pour déterminer si ses initiatives et activités contribuaient à l'efficience et à l'efficacité du système d'inspection des aliments. Notre évaluation annuelle du rapport sur le rendement de l'Agence a toujours mis en lumière la même lacune, soit le fait que le lecteur ne dispose pas de l'information nécessaire pour comprendre dans quelle mesure l'Agence a atteint ses objectifs.

Contexte et autres observations

25.6 L'Agence canadienne d'inspection des aliments est issue de la fusion des programmes de salubrité et d'inspection des aliments de trois ministères fédéraux : Agriculture et Agroalimentaire Canada, Santé Canada et

Contexte et autres observations

24.6 Nous avons entrepris la présente vérification afin de préciser :

- les grandes tendances et les principaux défis auxquels sont confrontés les organismes de réglementation dans le domaine de la santé et de la sécurité;
- le profil des forces et des faiblesses récurrentes dans la structure et la mise en oeuvre;
- les mesures qui pourraient être prises pour améliorer de façon notable la structure et la mise en oeuvre des programmes de réglementation.

24.7 Nous avons utilisé les éléments clés de la politique de réglementation du gouvernement pour organiser l'information sur le profil des forces et des faiblesses. Nos constatations s'appuient sur les résultats de nos présentes vérifications qui portent sur les programmes d'inspection des aliments, la réglementation des centrales nucléaires et le régime de réglementation des produits biologiques à Santé Canada, ainsi que sur les vérifications de suivi concernant la protection des végétaux et la santé des animaux, la réglementation de la sécurité du système de navigation aérienne à Transports Canada et la réglementation des pipelines terrestres. Elles s'appuient aussi sur les conclusions de rapports antérieurs du vérificateur général et du commissaire à l'environnement et au développement durable. Nous avons en outre tenu compte des constatations de comités parlementaires et de rapports du gouvernement et d'organismes non gouvernementaux.

24.8 Les Canadiens sont préoccupés par les risques liés à la santé et à la sécurité. Les crises ou les échecs de la réglementation exacerbent ces inquiétudes. Toutefois, le gouvernement ne peut éliminer tous les risques. Les Canadiens devraient obtenir des renseignements faciles à comprendre sur les risques en matière de santé et de sécurité et être consultés sur les choix à faire.

24.9 La confiance du public dans l'usage que fait le gouvernement des sciences et de la technologie pour protéger la santé et la sécurité de la population canadienne a été ébranlée par de récentes crises, notamment les préoccupations concernant la sécurité de l'approvisionnement en sang analysées par la Commission d'enquête sur l'approvisionnement en sang au Canada (Commission Krever). Il y aurait lieu de recourir davantage à des comités consultatifs d'experts indépendants pour obtenir des avis et conférer une plus grande crédibilité aux efforts de réglementation.

24.10 En vertu de la Constitution — et dans la pratique — le gouvernement fédéral partage souvent avec les provinces la responsabilité en matière de protection de la santé et de la sécurité. La coopération s'impose rapidement comme une démarche obligatoire, plutôt que comme une question de choix. Les risques prennent de plus en plus une dimension mondiale et exigent des mesures à l'échelle multinationale. Les normes et les approches réglementaires des pays sont en voie d'harmonisation grâce aux traités commerciaux ou aux accords internationaux. Cette tendance signifie que les organismes de réglementation du Canada devraient coopérer afin de présenter une position canadienne solide aux séances internationales d'établissement de normes. Toutes les parties ont donc intérêt à collaborer et à participer à l'élaboration d'un plan de réglementation nationale en matière de santé et de sécurité.

Le Bureau du Conseil privé indique que, même si le gouvernement estime que sa politique de réglementation est valable, il partage les préoccupations du Bureau du vérificateur général. Il reconnaît la nécessité de faire en sorte que les organismes de réglementation aient les moyens de respecter les objectifs de cette politique, à savoir élaborer de bons règlements et de bons programmes réglementaires et les mettre en oeuvre de manière adéquate.

Les programmes fédéraux de réglementation relatifs à la santé et à la sécurité

Chapitre 24 – Points saillants

24.1 Les programmes de réglementation relatifs à la santé et à la sécurité ont pour objectif global de protéger les Canadiens de façon proactive contre les risques liés à la santé et à la sécurité. Il s'agit en fait de cerner les problèmes avant qu'ils se manifestent, et si un problème survient, d'en atténuer le plus possible les conséquences.

24.2 L'Agence canadienne d'inspection des aliments, Santé Canada, Environnement Canada, Transports Canada, la Commission canadienne de sûreté nucléaire et l'Office national de l'énergie administrent les principaux programmes de réglementation relatifs à la santé et à la sécurité. Nous estimons qu'en 1999-2000, ces entités ont dépensé environ 1,2 milliard de dollars et employé quelque 12 000 personnes dans le cadre de ces programmes de réglementation. Les entités voient à la gestion d'environ 85 lois et 250 règlements. Les objectifs des programmes vont du contrôle des substances chimiques toxiques au maintien de la salubrité des aliments et à celui de la sûreté des médicaments et des centrales nucléaires.

24.3 La politique de réglementation du gouvernement a pour objectif de promouvoir l'élaboration et la mise en oeuvre de programmes de réglementation efficaces. Comme la mesure du rendement comporte des lacunes, on ne dispose pas de renseignements suffisants pour évaluer la rentabilité des programmes de réglementation relatifs à la santé et à la sécurité.

24.4 Au cours de la dernière décennie, nos vérifications des programmes de réglementation fédérale relatifs à la santé et à la sécurité ont mis en évidence de nombreuses situations où les organismes de réglementation n'avaient pas répondu aux attentes de la politique de réglementation du gouvernement. Bien que l'efficacité ne puisse être jugée uniquement en fonction de la conformité ou de la non-conformité aux politiques, il reste que des programmes bien structurés améliorent la rentabilité et réduisent les risques d'échec de la réglementation.

24.5 L'amélioration de la structure et de la mise en oeuvre des programmes de réglementation fédérale relatifs à la santé et à la sécurité exigera que des mesures soient prises à l'échelle du gouvernement et par les organismes de réglementation responsables. Plus précisément, nous insistons sur la nécessité de veiller à ce que :

- le gouvernement explique aux Canadiens et aux groupes chargés de la réglementation et de l'inspection les priorités des programmes de réglementation relatifs à la santé et à la sécurité, en particulier la façon dont il équilibre l'objectif de protection de la population canadienne, les préoccupations budgétaires et l'atteinte des objectifs économiques;
- des renseignements fiables existent sur le niveau de risque et la mesure dans laquelle celui-ci est — et peut être — contrôlé;
- selon les priorités établies en fonction de l'évaluation du risque, les organismes de réglementation aient des ressources financières et humaines suffisantes;
- le gouvernement précise les principaux objectifs en matière de santé et de sécurité qui ne peuvent être réalisés que par la coopération interministérielle, et à ce que les autorités évaluent le rendement des cadres supérieurs en fonction de l'atteinte de ces objectifs;
- le gouvernement soumette annuellement des rapports au Parlement sur l'efficacité générale des programmes de réglementation relatifs à la santé et à la sécurité, notamment des rapports provenant des principaux organismes de réglementation et portant sur la réalisation des objectifs qui exigent une étroite coopération interministérielle.

23.9 Les récentes décisions du Tribunal canadien du commerce extérieur sont la raison principale pour laquelle on a modifié la méthode d'offres à commandes pour les achats courants, à faible volume, de permis d'utilisation de logiciels et de services de solutions logicielles. En outre, bien que peu de cas aient été soumis au Tribunal, les utilisateurs du gouvernement et la communauté des TI ont déclaré que ces cas avaient suscité un examen attentif de tous les achats technologiques au gouvernement afin d'éviter toute plainte éventuelle auprès du Tribunal. À notre avis, il doit y avoir un respect accru des objectifs du gouvernement en matière de marchés, à savoir répondre aux exigences opérationnelles en tenant dûment compte de l'optimisation des ressources tout en adhérant au principe d'une concurrence ouverte et équitable dans le respect des règlements du gouvernement et des accords commerciaux.

Dans l'ensemble, le gouvernement appuie les recommandations qui se trouvent dans le présent chapitre.

Les technologies de l'information

L'acquisition de biens et de services

Chapitre 23 – Points saillants

23.1 Lors de la vérification des activités d'acquisition (achats) portant sur d'importants projets de technologie de l'information au sein du gouvernement, nous avons constaté que deux acquisitions récentes respectaient certains des éléments essentiels d'une méthode d'achat et d'un cadre de gestion de projet conçus pour améliorer la réalisation des grands projets technologiques. Cette approche met l'accent sur les avantages que l'on peut tirer d'un projet plutôt que sur le choix d'une solution précise à un problème fonctionnel. Bien que ces deux projets n'en soient encore qu'au stade de la construction, leur réalisation se déroule conformément aux plans. Même si la mise en oeuvre et le déploiement complet des nouveaux systèmes ne sont pas garantis, les résultats obtenus jusqu'à présent sont encourageants.

23.2 Nous avons cependant constaté que les activités d'acquisition continuaient à s'étaler sur une période de 18 mois ou plus. Il importe que le gouvernement mène ces activités plus rapidement afin de faciliter l'atteinte de son objectif, le gouvernement en direct, d'ici 2004.

23.3 Nous avons aussi examiné le processus d'acquisition courant de micro-ordinateurs, de logiciels et de matériel pour les réseaux locaux. Nous avons constaté que le gouvernement n'a pas encore terminé le remplacement de son ancienne méthode d'approvisionnement pour les achats courants, à faible volume, de permis d'utilisation de logiciels et de services de solutions logicielles. De ce fait, les ministères et organismes utilisateurs ne disposent pas de moyens rapides et prénégociés pour faire des achats de faible valeur de produits et services informatiques.

23.4 Nous avons également constaté que, sous sa forme actuelle, la méthode de remplacement est inadéquate. Le gouvernement risque donc de continuer à acquérir des parcs de logiciels de manière ponctuelle, sans égard au régime de concurrence. Lorsque les ministères et organismes procèdent de cette manière, le gouvernement risque de s'exposer au dépôt devant le Tribunal canadien du commerce extérieur, de plaintes relatives aux contrats d'extension de l'utilisation de logiciels à l'ensemble d'un ministère ou aux contrats comportant l'entretien et la mise à niveau de ces logiciels à l'échelle du ministère.

23.5 L'acquisition de permis d'utilisation de logiciels et de services de solutions logicielles selon les règles est un défi qui reste à relever. Il faut que le gouvernement envisage d'adopter une stratégie d'acquisition de logiciels qui prenne la forme d'un investissement en technologie de l'information.

Contexte et autres observations

23.6 Notre analyse des données a montré que les importantes dépenses d'acquisition de biens et de services dans le domaine des technologies de l'information (TI) continuent à augmenter. Selon nos estimations, les dépenses de TI en 1998-1999 se sont élevées à environ 3,4 milliards de dollars, ce qui inclut les coûts salariaux.

23.7 La méthode d'approvisionnement pour les achats courants, à faible volume, de micro-ordinateurs et de produits liés aux réseaux locaux est valable et ajoute de la valeur au processus d'acquisition. Néanmoins, il serait possible, à notre avis, d'économiser environ 10 millions de dollars par an en profitant davantage des regroupements d'achats.

23.8 Notre vérification a porté sur huit ministères et organismes utilisateurs. Nous avons testé leur conformité au pouvoir d'acquisition qui leur avait été délégué. Nous avons constaté quelques écarts mineurs, mais n'avons relevé aucun cas d'abus criant ou généralisé de ce pouvoir.

22.7 L'élaboration d'une nouvelle norme de classification a été entreprise en 1991, dans le cadre du projet Fonction publique 2000. En 1996, nous avons relevé d'importantes lacunes (Rapport de mai 1996, chapitre 5). À la suite de nos recommandations et des résultats de son propre examen, le gouvernement a entrepris d'améliorer la Norme générale de classification. Le présent chapitre de suivi constitue un rapport d'étape sur ce projet jusqu'à maintenant.

Le Secrétariat du Conseil du Trésor accepte nos constatations et nos recommandations et indique qu'il poursuivra ses efforts en vue d'atteindre les objectifs de la Norme générale de classification.

L'élaboration de la Norme générale de classification

Suivi

Chapitre 22 – Points saillants

22.1 Le Secrétariat du Conseil du Trésor a fait de grands progrès dans la mise en oeuvre de la recommandation de notre rapport de vérification de 1996 concernant l'élaboration de la Norme générale de classification pour la fonction publique fédérale. Ce projet est essentiel à la réforme de la gestion des ressources humaines, particulièrement en matière de dotation et de rémunération. Il s'agit d'une entreprise monumentale et très complexe, qui exige beaucoup de temps. Le système actuel est périmé et ne répond plus aux exigences de la fonction publique d'aujourd'hui et de demain.

22.2 Au cours des dernières années, le Secrétariat a mis au point une Norme en vue de mesurer les divers genres de travail dans la fonction publique et il a soumis cette Norme à une série de tests dans les ministères. Depuis 1998, les ministères ont entrepris la rédaction de nouvelles descriptions de travail pour tous les postes et les ont évaluées en utilisant la Norme. Dans le cadre de ce projet, le Secrétariat du Conseil du Trésor a élaboré et publié des guides et des méthodologies fondés sur les pratiques exemplaires en matière d'évaluation des emplois.

22.3 Malgré ces réalisations, le gouvernement a encore d'importantes questions à régler :

- Le Secrétariat du Conseil du Trésor doit faire en sorte que la nouvelle Norme soit appliquée de façon appropriée avant d'entreprendre la conversion;
- Les ministères doivent veiller à l'exactitude de leurs descriptions de travail et s'assurer que les résultats de leur évaluation des postes sont valides et adéquats;
- Le Secrétariat doit procéder à de nouveaux tests fondés sur des données exactes et à jour, afin de déterminer dans quelle mesure la Norme atteint ses objectifs en matière d'universalité et de non-sexisme;
- Le gouvernement doit s'assurer que l'on dispose de ressources financières raisonnables et réalistes pour la conversion à la nouvelle Norme.

Contexte et autres observations

22.4 Une norme de classification est un outil qui mesure la valeur relative des postes dans une organisation. La Norme générale de classification en voie d'élaboration doit permettre d'évaluer tous les postes de la fonction publique en fonction de la nature du travail. Les résultats conduisent à l'établissement d'une hiérarchie des postes et d'une rémunération qui reflète les exigences de ceux-ci.

22.5 La Norme s'appliquera à tout fonctionnaire dont l'employeur est le Conseil du Trésor, à l'exception des membres du groupe de la direction. En août 2000, environ 150 000 postes répartis dans 72 groupes professionnels et environ 65 ministères et organismes étaient assujettis au nouveau système de classification. La nouvelle norme de classification doit répondre aux exigences de la *Loi canadienne sur les droits de la personne* relatives à la parité salariale pour des fonctions équivalentes.

22.6 Les normes actuelles de classification ne reflètent pas l'importance accordée aujourd'hui aux services à donner au public et à la gestion axée sur les résultats. Elles ne tiennent pas davantage compte du fait que les fonctionnaires travaillent de plus en plus en partenariat avec d'autres paliers de gouvernement et avec le secteur privé.

21.7 Il y a au moins dix ans que le recrutement fait problème dans la fonction publique. De nombreux rapports et, plus récemment, le discours du Trône de 1999, ont signalé la nécessité de recruter dans la fonction publique en raison de facteurs démographiques et d'autres facteurs, comme la concurrence accrue qu'on se livre pour les candidats qualifiés.

21.8 Il est admis qu'une fonction publique efficace et non partisane est essentielle au bon fonctionnement d'un pays démocratique. Pour garder sa vitalité, la fonction publique doit être en mesure de recruter des employés compétents et de les maintenir en poste.

21.9 Le gouvernement reconnaît que le recrutement dans la fonction publique est prioritaire. Dans son rapport annuel de mars 2000, le greffier du Conseil privé a déclaré ceci : « Le recrutement doit commencer dès maintenant, afin que les recrues aient le temps de se préparer, de parfaire leurs habilités et de profiter de l'expérience et des compétences des fonctionnaires de partout au pays. »

21.10 Nous nous inquiétons au sujet de la capacité du gouvernement de relever le défi urgent du recrutement pour les années à venir.

On trouvera à la fin du présent chapitre la réponse du Secrétariat du Conseil du Trésor, formulée au nom du gouvernement et des ministères vérifiés, ainsi que celle de la Commission de la fonction publique. On reconnaît dans les réponses l'importance du recrutement et on y indique des plans en vue de régler les problèmes cernés.

Le Programme de recrutement postsecondaire de la fonction publique fédérale

Chapitre 21 – Points saillants

21.1 Notre examen du Programme de recrutement postsecondaire a révélé que la Commission de la fonction publique du Canada recrute des candidats qualifiés. Cependant, elle en recrute trop peu compte tenu du nombre important de cadres, de professionnels et de gestionnaires de la fonction publique qui seront admissibles à la retraite dans un avenir rapproché. Le gouvernement doit régler immédiatement le problème du recrutement pour pouvoir continuer à exécuter des programmes et à fournir des services de qualité aux Canadiens.

21.2 Nous avons constaté que l'efficience et l'efficacité du Programme étaient faibles dans les secteurs suivants :

- Les prévisions des besoins de recrutement ne sont pas énoncées clairement. Si l'on n'a pas une idée claire du nombre et du type d'employés dont on a besoin, il est difficile d'établir des niveaux de recrutement précis et d'élaborer des stratégies de recrutement appropriées.
- Les niveaux de recrutement établis dans le cadre du Programme n'ont pas toujours été atteints.
- La Commission doit être un recruteur plus dynamique des diplômés universitaires, car ils font l'objet d'une concurrence accrue. Il faut faire une meilleure promotion de la fonction publique à titre de choix de carrière, accroître la visibilité du gouvernement sur les campus et améliorer le calendrier et la durée des campagnes de recrutement.
- Très peu de ministères participent à ce programme, ce qui limite sa capacité de renouveler la fonction publique.
- La Commission ne tient ni ne gère de répertoires de candidats qualifiés pour les ministères.
- On n'a pas fait une évaluation régulière et méthodique du Programme et des activités qui s'y rattachent en vue d'en améliorer l'efficacité et l'efficience. Résultat : il est difficile pour le gouvernement de prendre les mesures correctives qui s'imposent en matière de recrutement.
- La communication des résultats n'est pas adéquate.

21.3 Nous nous inquiétons au sujet de la capacité du gouvernement de relever le défi du recrutement.

Contexte et autres observations

21.4 La fonction publique a considérablement vieilli. D'ici 2008, 70 p. 100 des cadres pourraient prendre leur retraite, et les groupes de relève, c'est-à-dire les personnes qui pourraient les remplacer éventuellement, affichent un profil de retraite semblable. Les fonctionnaires de moins de 35 ans sont sous-représentés.

21.5 Les cadres supérieurs actuels ont mis en moyenne dix ans pour passer du niveau d'entrée à un niveau de direction. Le recrutement est donc devenu un impératif pour assurer le bon fonctionnement de la fonction publique de demain.

21.6 La fonction publique a changé et elle a besoin d'une proportion plus élevée de travailleurs du savoir que dans le passé. Aujourd'hui, ces travailleurs constituent 55 p. 100 des fonctionnaires.

ministère devait établir des objectifs globaux puis réfléchir à la façon de se structurer d'après les résultats attendus. La plupart des ministères examinés consacraient de sérieux efforts à planifier leur manière de gérer selon les résultats.

20.8 Une fonction de coordination qui est appuyée par la haute direction (notamment dans un ministère directeur) et qui dispose de suffisamment de ressources pour faire le travail constitue un élément critique de la gestion d'une question horizontale axée sur les résultats.

20.9 Les ministères reçoivent peu de conseils pratiques sur la gestion axée sur les résultats et il n'y a guère de partage d'expérience. Il faut davantage les encourager à aller au-delà de la planification en vue d'obtenir des résultats et il faut également identifier des champions.

20.10 La gestion axée sur les résultats présente des défis, mais il existe des façons pratiques et connues de les surmonter. Les gens doivent accepter l'idée d'apprendre de leur expérience, y compris de leurs erreurs. Il faut chercher davantage à comprendre les expériences vécues puis ajuster ses pratiques en conséquence.

Le lecteur trouvera à la fin de ce chapitre la réponse du Secrétariat du Conseil du Trésor, formulée au nom du gouvernement et des ministères vérifiés. Le Secrétariat accepte nos recommandations et indique les mesures prises ou prévues pour y donner suite.

La gestion ministérielle axée sur les résultats et la gestion des questions horizontales axée sur les résultats

Chapitre 20 – Points saillants

20.1 Lors de l'examen de cinq grands ministères fédéraux et de dix programmes, nous avons constaté que plusieurs ministères ont fait des efforts concrets pour se concentrer sur les résultats. Il y avait des signes évidents d'engagement et de soutien de la part de la haute direction, d'importantes activités de planification, le recensement d'indicateurs de rendement clés et un certain travail de mesure d'après ces indicateurs.

20.2 Nous avons par contre trouvé que l'information sur les résultats était couramment utilisée seulement pour quatre des dix programmes. Dans la plupart des ministères que nous avons examinés, on est perpétuellement en train de planifier en fonction des résultats — plutôt que de gérer en fonction des résultats — ce qui signifie que peu de progrès ont été accomplis dans l'utilisation de l'information sur les résultats depuis que nous avons fait rapport à ce sujet en 1997. Il est maintenant temps pour les ministères d'aller au-delà de la planification : il faut procéder d'une façon plus généralisée à la mesure des résultats obtenus et à l'utilisation de cette information pour améliorer les programmes.

20.3 Le gouvernement doit garantir que la fonction d'évaluation joue un rôle central dans son évolution vers la gestion axée sur les résultats. Dans bien des ministères, la capacité d'évaluation s'est atrophiée alors qu'il faut intensifier, et non pas amoindrir, la mesure des résultats des programmes.

20.4 Le gouvernement a de plus en plus besoin de gérer les initiatives qui touchent plus d'un ministère fédéral. Les questions « horizontales » comme le Plan d'action du gouvernement du Canada concernant les personnes handicapées représentent souvent des priorités gouvernementales. Notre étude de trois questions horizontales a révélé que, comme plusieurs des programmes ministériels examinés, elles n'étaient pas gérées en fonction des résultats.

20.5 Au cours des dernières années, le gouvernement a bien souligné l'importance de fonder la bonne gestion et l'obligation redditionnelle sur les résultats, concept de plus en plus accepté dans l'administration publique. La mise en pratique de ce concept exigera toutefois une plus grande participation de la part des organismes centraux. Ils doivent encourager et appuyer les ministères à aller au-delà de la planification en vue d'obtenir des résultats. Nous estimons trop limité le leadership du Secrétariat du Conseil du Trésor et son appui trop fragmenté pour vraiment aider les ministères dans leurs efforts de gérer en fonction des résultats. Le Secrétariat n'a pas non plus de stratégie pour traiter des questions horizontales; or, il lui faut aborder ces questions d'une façon stratégique étant donné leur importance grandissante au gouvernement.

Contexte et autres observations

20.6 Gérer en fonction des résultats permet aux gestionnaires d'apporter des changements une fois qu'ils savent ce qui fonctionne et ce qui ne fonctionne pas. C'est donc une nouvelle approche à l'égard de la gestion des programmes gouvernementaux. Ainsi, les gestionnaires peuvent porter davantage attention à déterminer si les programmes répondent aux objectifs et moins à simplement mener des activités ou établir des structures et des processus.

20.7 Le concept de la gestion axée sur les résultats est maintenant bien accepté au gouvernement. Comme première étape de la mise en pratique, la plupart des ministères ont dû harmoniser leurs processus et structures de gestion par rapport aux résultats qu'ils attendaient et non par rapport à leurs programmes ou activités. Chaque

19.6 Outre qu'il pourrait envisager de proposer une loi, à notre avis, le gouvernement doit apporter les changements suivants au mécanisme actuel de rapport :

- en arriver à une entente sur les principes régissant la communication de l'information sur le rendement;
- accorder plus d'importance aux incitatifs de nature à favoriser l'adoption de méthodes de rapport fondées sur des éléments probants;
- faire en sorte que le Secrétariat du Conseil du Trésor assure une surveillance plus rigoureuse;
- obtenir que les parlementaires participent davantage à l'examen des plans et des rapports sur le rendement.

Contexte et autres observations

19.7 Chaque année, à l'automne, les ministères fédéraux présentent au Parlement leurs rapports sur le rendement dans lesquels ils décrivent leurs réalisations. Les rapports sont renvoyés au comité permanent compétent. L'étude des rapports à ce moment-là permet aux comités parlementaires de faire des recommandations en prévision des décisions de dépense devant être annoncées plus tard par le gouvernement dans le Budget. Au printemps, après le Budget, les ministères présentent leurs rapports sur les plans et les priorités, lesquels décrivent ce qu'ils prévoient réaliser au cours de l'exercice à venir et des exercices suivants.

19.8 En 1997, nous avons fait rapport pour la première fois sur le nouveau mécanisme de rapport au Parlement. Nous avons constaté qu'il s'agissait d'un bon départ et que le cadre fondamental utilisé pour communiquer l'information était bon.

19.9 Un rapport sur le rendement crédible comporte nombre d'avantages : il peut améliorer la reddition de comptes et la confiance dans le gouvernement; fournir de l'information sur des programmes et des services améliorés et permettre un meilleur examen parlementaire de ceux-ci; enfin, il peut servir d'incitatif aux ministères et aux organismes pour qu'ils gèrent en fonction des résultats escomptés.

19.10 À deux occasions au cours des dernières années, le Comité permanent de la procédure et des affaires de la Chambre a publié des rapports contenant des recommandations sur des façons d'inciter les parlementaires à étudier davantage le *Budget des dépenses*.

19.11 Le Président du Conseil du Trésor dépose tous les ans, avec les rapports ministériels sur le rendement, un rapport au Parlement sur la mesure du rendement, les rapports et la gestion axée sur les résultats au gouvernement. Ces dernières années, ce rapport a fourni de l'information sur le rendement utile en matière de résultats collectifs, c'est-à-dire les secteurs où plusieurs ministères ou plusieurs gouvernements travaillent ensemble en vue de l'atteinte d'un résultat.

19.12 Le Secrétariat du Conseil du Trésor prend d'importantes mesures en vue de faire davantage rapport électroniquement. Il doit encourager les ministères à tirer un plus grand parti de ce médium, et recenser et faire connaître les bonnes pratiques.

La réponse du Secrétariat du Conseil du Trésor, formulée au nom du gouvernement et des ministères vérifiés, est présentée à la fin du chapitre. Le Secrétariat a répondu de façon positive au chapitre et aux recommandations qu'il contient. Le Secrétariat accepte celles-ci et indique, au besoin, les mesures prises ou prévues pour y donner suite.

L'information sur le rendement communiquée au Parlement

Les progrès sont trop lents

Chapitre 19 – Points saillants

19.1 L'information sur le rendement communiquée au Parlement par les ministères et les organismes est en progrès, mais nous jugeons que le rythme actuel des progrès est décevant. À ce rythme, il faudra beaucoup trop de temps pour que l'habitude de communiquer de l'information de bonne qualité s'instaure. Nous admettons qu'il n'est pas facile de communiquer de l'information sur le rendement et qu'il faut du temps pour cela. Pourtant, nous pensons qu'il faut attacher plus d'importance à cette question. Les députés ont besoin d'information sur ce que les Canadiens obtiennent en contrepartie des taxes qu'ils paient, afin de tenir le gouvernement responsable. L'information sur le rendement de bonne qualité est devenue un élément essentiel des systèmes démocratiques modernes.

19.2 Le moment est peut-être venu de légiférer pour obtenir cette information. Plusieurs gouvernements au Canada ont adopté des lois qui obligent leur administration à rendre compte de son rendement à la législature. La loi met en lumière l'importance d'une information de bonne qualité et en fait une exigence plus permanente et plus durable.

19.3 Notre examen des documents du *Budget des dépenses* — des rapports sur les plans et les priorités et des rapports ministériels sur le rendement — de 47 ministères et organismes au cours des 4 à 5 dernières années a révélé ce qui suit :

- Même s'il y a eu progrès, peu de ministères énoncent concrètement ce qu'ils prévoient réaliser et rendent compte par rapport à ces attentes.
- Dans l'information communiquée sur leurs réalisations, les ministères s'attachent trop à donner des listes d'activités et d'extrants et trop peu à faire le lien entre leurs activités et les résultats escomptés.
- Les rapports ne présentent que trop peu de constatations d'évaluation des résultats des activités et de la façon dont les programmes contribuent aux résultats.
- Il existe peu de liens entre l'information sur le rendement financière et non financière; on ne donne pas les coûts de la plupart des réalisations.
- Les rapports sur le rendement ne sont pas équilibrés. La plupart des ministères ne rendent compte que des « bonnes nouvelles » et ne font presque pas mention du rendement inférieur aux attentes. Comme les députés l'ont déclaré à maintes reprises, les rapports qui ne présentent que des bonnes nouvelles ne sont pas crédibles.

19.4 Nous avons noté le leadership assuré par le Secrétariat du Conseil du Trésor en matière de rapport. Nous avons trouvé aussi quelques exemples de reddition de comptes et un certain nombre de points forts dans le mécanisme actuel de rapport. Néanmoins, après cinq ans d'expérience, les rapports ministériels ne présentent que des améliorations modestes dans l'ensemble.

19.5 Parmi les facteurs qui ont contribué à la faiblesse actuelle des rapports, trois facteurs ressortent :

- les principes fondamentaux d'un bon rapport ne sont pas compris ni appliqués;
- la communication d'information sur le rendement a des dimensions politiques;
- il existe peu d'incitatifs à la production d'un bon rapport ou peu de sanctions à la production d'un mauvais.

prévenir les pertes financières éventuelles et remplir le mandat. Par ailleurs, c'est en période de difficultés, de turbulences et de changements que la bonne régie des sociétés est des plus importante.

Contexte et autres observations

18.4 Les sociétés d'État sont des entités juridiques distinctes propriétés exclusives de l'État. Elles oeuvrent dans de nombreux secteurs, notamment les transports, l'agriculture et la culture. Elles jouissent d'une plus grande autonomie de gestion que la plupart des autres entités gouvernementales de sorte qu'elles peuvent fonctionner davantage à la manière d'une entreprise commerciale. Un conseil d'administration surveille la gestion de chaque société et tient la direction comptable de son rendement. Le gouvernement conserve son pouvoir et son influence sur les sociétés d'État dans des domaines comme les nominations, la rémunération des premiers dirigeants et des administrateurs, et l'approbation des plans et des budgets.

18.5 Les sociétés d'État exécutent une part importante des activités gouvernementales. On compte actuellement 41 sociétés d'État fédérales (compte non tenu des filiales), qui emploient 70 000 personnes. Les sociétés d'État réunies (à l'exclusion de la Banque du Canada) gèrent des actifs de 68 milliards de dollars et un passif de 61 milliards de dollars. Les sociétés d'État donnent l'occasion non négligeable de mettre en oeuvre une politique d'intérêt public et d'atteindre d'autres objectifs, ainsi que de produire des recettes, mais elles sont aussi largement exposées à d'éventuelles pertes financières et à d'autres risques.

18.6 Outre les activités permanentes que nous menons à titre de vérificateurs et examinateurs de la plupart des sociétés d'État, nous avons vérifié en détail un groupe représentatif de 15 sociétés d'État. Nous avons également comparé les sociétés d'État canadiennes à des entreprises publiques d'autres pays. En outre, nous avons utilisé les résultats d'autres recherches, études, vérifications et tables rondes pour étayer nos constatations. De plus, nous avons résumé les résultats d'examens spéciaux — une forme de vérification de l'optimisation des ressources des sociétés d'État — menés entre 1984 et 2000.

Étant donné que bon nombre des recommandations portent sur le pouvoir discrétionnaire du gouverneur en conseil, aucune réponse détaillée à celles-ci n'a été présentée. Le Bureau du Conseil privé déclare que, dans l'ensemble, le gouvernement a fait des progrès importants dans plusieurs domaines de la régie et qu'il s'engage à étudier des mesures pour améliorer les domaines qui en ont besoin et à renforcer, en bout de ligne, la régie des sociétés d'État. Le Bureau du Conseil privé ajoute qu'il est primordial de veiller à ce que les administrateurs nommés permettent de constituer des conseils d'administration solides et que toutes les parties intéressées des sociétés d'État aient un rôle à jouer dans le processus de nomination, rappelant toutefois que les nominations demeurent la prérogative du gouvernement.

La réaction des présidents du conseil et des premiers dirigeants des sociétés d'État indique que, pour la plupart, ils sont d'accord avec les recommandations qui s'adressent précisément à eux.

Chapitre 18 – Points saillants

18.1 La gestion des sociétés d'État s'est améliorée depuis que la *Loi sur la gestion des finances publiques* a été modifiée, en 1984, pour en renforcer le cadre de contrôle et de responsabilisation. Toutefois, d'autres améliorations s'imposent dans certains domaines importants, comme la planification stratégique et organisationnelle, la mesure du rendement et la communication des résultats. À notre avis, une attention toute particulière doit être accordée à trois aspects essentiels à la régie des sociétés d'État.

- Les conseils d'administration des sociétés d'État doivent être renforcés. En effet, les conseils reflètent la diversité du Canada, mais ils ne possèdent pas d'autres compétences ou capacités essentielles pour fonctionner efficacement et pour s'acquitter de leurs responsabilités importantes aux termes de la *Loi sur la gestion des finances publiques* relativement à la conduite de leurs affaires. Les sociétés doivent mieux définir leurs exigences en matière de compétences et de capacités et les communiquer au gouvernement; pour sa part, le gouvernement doit y donner suite. Les conseils d'administration doivent également participer de façon plus active à la sélection de leur président et du premier dirigeant de la société d'État. Si le conseil d'administration ne participe pas vraiment à la sélection du premier dirigeant de la société, la responsabilisation de ce dernier envers le conseil est affaiblie et la régie de la société dans son ensemble s'en ressent.
- Les comités de vérification remplissent un rôle essentiel au sein des sociétés d'État, au chapitre de l'établissement des rapports financiers, de la gestion des risques et du contrôle interne. Ils sont le « moteur » des conseils d'administration. Pourtant, la moitié des conseils de vérification que nous avons examinés ne fonctionnaient pas de façon efficace. L'existence d'importantes lacunes au sein d'un comité de vérification peut nuire à la capacité globale du conseil.
- Le gouvernement est limité dans sa capacité d'examen et de critique des plans d'entreprise des sociétés d'État aux fins de leur approbation. Les plans d'entreprise établissent l'orientation stratégique des sociétés d'État et ils sont censés être la pierre angulaire de leur cadre de contrôle et de responsabilisation, aux termes de la *Loi sur la gestion des finances publiques*. Le gouvernement doit consolider sa capacité d'examiner et de critiquer ces plans car, une fois approuvés, ils constituent les documents en vertu desquels les sociétés d'État sont tenues de se conformer à la politique du gouvernement et de rendre compte de leur rendement global. Qui plus est, il y a lieu d'examiner de façon plus régulière et systématique les mandats des sociétés d'État, pour en déterminer la pertinence.

18.2 Des lacunes dans tous ces domaines nuisent à la mise en oeuvre efficace de la partie X de la *Loi sur la gestion des finances publiques* et à la qualité de la régie des sociétés d'État. Elles ont été soulevées à maintes reprises dans le passé, dans les rapports du vérificateur général et dans d'autres études et rapports de sources extérieures, mais elles demeurent. Les premiers dirigeants des sociétés d'État et les présidents des conseils d'administration considèrent que le règlement de ces questions est primordial et qu'il est urgent de les aborder. D'autres pays industrialisés ont devancé le Canada dans ces domaines de la régie des sociétés d'État.

18.3 La régie des sociétés décrit le processus et la structure de surveillance de la direction et de la gestion d'une société d'État, grâce auxquels elle peut remplir son mandat et atteindre ses objectifs efficacement. Il est primordial qu'une société d'État, en tant qu'organisme du secteur public, soit bien régie pour que l'argent des contribuables soit bien dépensé. La bonne régie des sociétés est importante, pour maximiser le rendement,

Chapitre 17 – Points saillants

17.1 La *Loi sur le vérificateur général* exige du vérificateur général qu'il inclue dans ses rapports les questions d'importance qui, à son avis, devraient être portées à l'attention de la Chambre des communes.

17.2 Le chapitre consacré aux « Autres observations de vérification » joue un rôle particulier dans les rapports. D'autres chapitres décrivent habituellement les constatations faites lors des vérifications intégrées que nous avons effectuées dans des ministères particuliers, ou bien ils donnent un compte rendu de vérifications et d'études qui portent sur des questions relatives aux activités du gouvernement dans son ensemble. Dans ce chapitre, nous faisons rapport sur des questions précises dont nous avons pris connaissance au cours de nos vérifications financières et de nos vérifications de conformité aux autorisations des comptes publics du Canada, des états financiers des sociétés d'État et d'autres entités ou au cours de nos vérifications de l'optimisation des ressources.

17.3 Le chapitre renferme habituellement des observations qui se rapportent aux dépenses ou aux recettes des ministères. En général, les questions traitées portent sur la non-conformité aux autorisations ainsi que sur les dépenses de deniers publics sans souci de l'économie.

17.4 Dans ce chapitre, nos observations portent sur les sujets suivants :

- La location de locaux à un prix excessif pour un Centre de services aux entreprises du Canada à Sydney, en Nouvelle-Écosse, qui n'a jamais fonctionné comme prévu;
- La déduction de prestations des recettes, contrairement au traitement comptable recommandé, masque l'envergure réelle des recettes et dépenses du gouvernement et complique l'évaluation des mesures budgétaires;
- Il n'y pas d'autorisation parlementaire claire pour les programmes et les dépenses au titre de Parc Downsview Park inc.;
- Le non-recouvrement des dépenses engagées pour l'alimentation en eau potable des réserves indiennes touchées par des projets d'aménagement de Manitoba Hydro;
- Le risque élevé qu'un projet de réinstallation de 113 millions de dollars ne réponde pas adéquatement aux besoins des Innus.

17.5 Même si les observations de vérification particulières signalent des questions importantes, le lecteur ne doit pas s'en servir pour tirer des conclusions sur des points que nous n'avons pas examinés.

Suivi des recommandations formulées dans des rapports antérieurs

Chapitre 16 – Points saillants

16.1 Le chapitre présente les suivis de six vérifications dont les résultats ont été signalés dans des rapports publiés entre 1995 et 1998. Dans le dernier volume du rapport de cette année, qui doit être déposé en décembre 2000, nous publierons un autre chapitre de suivis et présenterons une conclusion globale sur les progrès qu'a réalisés le gouvernement pour donner suite aux préoccupations que nous avions exprimées dans des rapports antérieurs.

16.2 Le cadre législatif et le contexte politique au sein duquel le secteur des services financiers évolue ont connu de grands changements depuis la publication de nos rapports de 1995 et de 1997. Le Canada est doté d'un solide cadre de réglementation pour ce secteur. Le Bureau du surintendant des institutions financières (BSIF) a pris de nombreuses mesures satisfaisantes pour mettre en oeuvre nos recommandations précédentes. Cependant, avec tous les changements prévus qui auront un effet sur le secteur des services financiers, la capacité de surveillance et de réglementation du BSIF pourrait être mise à l'épreuve à court terme. De plus, dans ce milieu en évolution, le recrutement et le maintien en poste d'employés seront un défi de taille à relever.

16.3 Malgré la lenteur des progrès relatifs aux recommandations contenues dans notre chapitre du Rapport de novembre 1995 intitulé « Les fonds renouvelables dans le régime parlementaire : Gestion financière, responsabilisation et vérification », les mesures récentes prises par le Secrétariat du Conseil du Trésor y répondent en grande partie.

16.4 Le Conseil canadien des relations industrielles, anciennement le Conseil des relations du travail, a fait des progrès pour donner suite à nos préoccupations à l'égard des problèmes de contrôle financier. Le paiement des frais des anciens membres constitue la principale dépense au titre des coûts de transition de 1,7 million de dollars du Conseil canadien des relations industrielles. Nous avons également constaté que, dans l'ensemble, le gouvernement n'a pas pris de mesures adéquates afin d'améliorer le cadre redditionnel régissant les dépenses de voyage et d'accueil des hauts fonctionnaires nommés par le gouverneur en conseil.

16.5 La Défense nationale a accompli des progrès marqués pour traiter le manque de plans et de priorités dans son programme d'acquisition de biens d'équipement. La gestion de grands projets d'acquisitions particuliers s'est aussi améliorée. Le Ministère est allé au-delà de ses engagements originaux pour mettre en oeuvre des améliorations. Cependant, selon les représentants du Ministère, il manque, chaque année, environ 750 millions de dollars pour moderniser et maintenir l'état de préparation des Forces. Les « choix difficiles » dont il était question en 1998 ont été cernés, mais ils n'ont pas tous été faits.

15.6 Notre suivi a révélé que le Ministère avait fait peu de progrès pour s'assurer que les rapports exigés en vertu des accords de contribution distincts sont fournis. Nous avons aussi constaté que les rapports sur le rendement du Ministère contiennent peu d'information sur la situation des programmes de santé communautaire, y compris les résultats obtenus.

15.7 Quant aux ententes de transfert, nous avons constaté que les plans de santé communautaire ne sont toujours pas mis à jour lors du renouvellement des ententes et que les exigences en matière de vérifications, de rapports annuels et d'évaluations sont rarement respectées.

15.8 Le Ministère a élaboré et mis en oeuvre un protocole de suivi auprès des clients, des médecins, des pharmaciens et des organismes professionnels pour les cas laissant supposer l'éventualité d'un usage à mauvais escient de médicaments prescrits. Cette mesure a eu un effet positif; dans certaines régions, le nombre de personnes se procurant de grandes quantités de médicaments prescrits a commencé à décliner. Cependant, puisque la direction doutait du caractère approprié de l'approche en l'absence du consentement du client ou d'une autorisation législative explicite pour le Programme des services de santé non assurés, on a mis fin à cette mesure en mai 1999. Il y a encore des clients du Programme qui se procurent de grandes quantités de médicaments prescrits, et ces cas nécessitent un suivi.

15.9 Le Ministère a tardé à élaborer une stratégie de vérification fondée sur une évaluation appropriée des risques et à l'intégrer à son nouveau contrat de traitement des demandes de remboursement des pharmaciens et des fournisseurs de soins dentaires. Il n'a pu également s'assurer que l'entrepreneur effectue les vérifications sur place des pharmacies et des fournisseurs de soins dentaires exigées par le contrat. Nous avons constaté que peu de vérifications avaient été effectuées depuis décembre 1998 pour fournir l'assurance que les dépenses réclamées avaient été engagées aux fins visées.

15.10 Peu de progrès ont été réalisés pour améliorer l'efficience de l'administration des prestations de transport pour des raisons de santé.

Les réponses de Santé Canada à nos recommandations sont incluses dans le présent chapitre. Le Ministère continue de prendre des mesures correctives en réponse à nos recommandations de 1997 et il a accepté de donner suite à nos deux nouvelles recommandations.

Santé Canada

La santé des Premières nations : suivi

Chapitre 15 – Points saillants

15.1 Santé Canada a pris des mesures afin de donner suite à nos observations et à nos recommandations sur la santé des Premières nations (Rapport de 1997, chapitre 13). Nous craignons toutefois que le Ministère n'ait pas encore fait suffisamment de progrès pour régler nombre des problèmes cernés. Il faut déployer des efforts continus et soutenus pour assurer la mise en oeuvre complète de toutes les recommandations.

15.2 Nous avons constaté :

- que le système de traitement aux points de service, un mécanisme clé pour l'administration des prestations pharmaceutiques et le contrôle de l'utilisation des médicaments prescrits, est maintenant entièrement opérationnel. Ce système génère des messages d'avertissement concernant la consommation de médicaments pour aider les pharmaciens à décider s'il y a lieu de délivrer les ordonnances. Ainsi, un certain nombre d'ordonnances n'ont pas été remplies;
- qu'un processus de prédétermination des soins dentaires, mis en oeuvre à l'échelle nationale en 1997, a permis de réaliser des économies substantielles.

15.3 Cependant, nous avons observé :

- que la gestion des accords de contribution pour l'exécution des programmes de santé communautaire est encore faible;
- qu'il faut encore améliorer la gestion des ententes de transfert;
- que Santé Canada n'a pas suffisamment surveillé les cas où les pharmaciens n'ont pas tenu compte des messages d'avertissement concernant la consommation de médicaments, ni entrepris une analyse appropriée de l'efficacité des messages pour déterminer s'il y a lieu d'apporter des changements.

Contexte et autres observations

15.4 Santé Canada offre des services de santé et d'autres services connexes à plus de 600 collectivités des Premières nations, principalement par l'entremise de programmes de santé communautaire (y compris ceux dont la responsabilité a été transférée aux collectivités) et du Programme des services de santé non assurés, qui rembourse des prestations comme les médicaments prescrits, les soins dentaires, le transport pour des raisons de santé et d'autres prestations. Ensemble, ces services représentaient des dépenses d'un peu plus d'un milliard de dollars en 1998-1999.

15.5 Notre vérification de 1997 nous a permis de constater que les dépenses liées au Programme des services de santé non assurés n'étaient pas bien gérées et, dans la plupart des cas, n'étaient pas bien contrôlées. Plus précisément, d'importantes lacunes dans la gestion des prestations pharmaceutiques permettaient aux clients de se procurer des quantités extrêmement importantes de médicaments prescrits. Nous avons pris connaissance de nombreux rapports faisant état de toxicomanie due aux médicaments prescrits et de décès liés à ceux-ci parmi les membres des Premières nations dans plusieurs provinces. Nous avons également relevé des lacunes dans la gestion des accords de contribution prévus pour l'exécution des programmes de santé communautaire ainsi que dans la gestion des ententes de transfert.

14.7 La présente vérification portait sur la manière dont les directions générales des programmes géographiques gèrent les marchés et d'autres types d'accords pour l'acquisition de biens et de services, y compris la sélection des agences d'exécution canadiennes qui mettent en oeuvre les projets. Nous avons aussi examiné le cadre de contrôle des accords de financement du Programme d'envoi de volontaires de la Direction générale du partenariat canadien. La vérification avait pour objet de déterminer si les processus utilisés par l'ACDI pour la passation des marchés et les accords de contribution sont conformes au *Règlement sur les marchés de l'État*, aux lignes directrices du Conseil du Trésor et aux politiques de l'Agence elle-même, si ces processus sont équitables et transparents et s'ils satisfont aux exigences de fonctionnement et aux besoins en matière de développement.

Les réponses de l'Agence à nos recommandations sont intégrées au chapitre. L'Agence accepte les recommandations et précise les mesures qu'elle prend ou compte prendre pour y répondre.

Agence canadienne de développement international

La gestion des marchés et des accords de contribution

Chapitre 14 – Points saillants

14.1 Dans le cadre des programmes géographiques de l'Agence canadienne de développement international (ACDI), des marchés et des accords de contribution sont conclus avec des agences d'exécution canadiennes pour mettre en œuvre des projets de développement. Lorsque l'Agence a eu recours à des marchés concurrentiels pour la sélection des agences d'exécution, le processus a été bien mené, à quelques exceptions près. Toutefois, nous avons observé des cas où les marchés n'étaient pas conformes à la Politique sur les marchés du Conseil du Trésor ou au *Règlement sur les marchés de l'État*.

14.2 Pour les accords de contribution, l'ACDI n'a pas de cadre des pouvoirs semblable à celui du processus de passation de marché. Les conditions qui s'appliquent aux subventions et aux contributions relatives aux programmes géographiques sont très générales et n'indiquent pas comment ni quand utiliser les accords de contribution. Ces conditions comprennent une disposition selon laquelle les contributions doivent être approuvées en conformité avec les procédures et les pouvoirs ministériels ordinaires; cependant, l'ACDI peut traiter les cas d'exception au sein même de l'Agence. Par conséquent, l'utilisation par l'ACDI des accords de contribution pour la sélection des agences d'exécution s'est souvent écartée des politiques ou pratiques internes énoncées. L'ACDI peut sélectionner les agences d'exécution au moyen d'accords de contribution qui correspondent, en réalité, à des marchés à fournisseur unique, lesquels ne seraient pas autorisés aux termes du *Règlement sur les marchés de l'État*. C'était le cas pour environ la moitié des accords de contribution que nous avons examinés.

14.3 Les agents de projet de l'ACDI accordent une importance considérable à la surveillance des accords dont ils sont responsables. Ils ont couramment recours à des contractuels pour surveiller les progrès et faire rapport sur ceux-ci, et ils insistent pour que les agences d'exécution canadiennes leur soumettent les rapports requis.

14.4 Dans le cas du Programme d'envoi de volontaires, la Direction générale du partenariat canadien obtient une information adéquate sur la santé financière de ses partenaires canadiens. Cependant, elle reçoit peu d'information sur les projets financés, les sommes dépensées et les résultats obtenus. Pour accorder un financement, l'ACDI se fonde surtout sur les niveaux historiques plutôt que sur le rendement de ses partenaires. Le Rapport sur le rendement que l'ACDI présente au Parlement doit fournir une information plus pertinente et exacte sur la Direction générale du partenariat canadien.

Contexte et autres observations

14.5 L'ACDI doit gérer un budget d'environ 1,8 milliard de dollars destiné à l'aide internationale fournie par le Canada. Elle verse environ 700 millions de dollars aux directions générales des programmes géographiques pour des programmes exécutés en Asie, en Afrique et en Amérique latine. La plus grande partie de cette somme est affectée, par l'intermédiaire de marchés et d'accords de contribution avec des tiers appelés agences d'exécution, à des projets d'aide au développement. Une autre tranche de 260 millions de dollars est versée à la Direction générale du partenariat canadien pour les subventions et contributions accordées à des organisations qui exécutent leurs propres programmes d'aide.

14.6 En 1998, le Bureau du vérificateur général a publié un rapport qui présentait des observations sur la gestion axée sur les résultats dans le contexte des programmes géographiques. Nous avions alors conclu qu'il y avait des progrès évidents à ce chapitre, mais que ces progrès étaient inégaux.

particulièrement à un moment où la mise en œuvre de nouveaux systèmes financiers entraîne des changements marqués.

13.7 L'une des lacunes les plus courantes que nous ayons constatées dans les ministères est la capacité limitée de combiner ou d'intégrer l'information financière et l'information opérationnelle (non financière). Cette lacune a des répercussions évidentes pour chacun des ministères et le gouvernement dans son ensemble. Tout d'abord, si les ministères ne peuvent intégrer cette information, ils ne peuvent donner au Parlement et au public canadien une image réaliste des coûts réellement engagés pour obtenir un résultat donné ou offrir un niveau donné de service. Ensuite, sans information intégrée, il n'est pas facile pour les cadres supérieurs de prévoir les coûts qui découleront des décisions importantes — par exemple, la décision d'augmenter ou de diminuer le niveau de service d'un programme.

13.8 Nous avons également constaté que les ministères n'avaient pas établi de vision ou de stratégie claires des transformations qui doivent intervenir — une première étape essentielle pour gérer les changements. De même, les ministères n'ont pas déterminé les compétences et les capacités nécessaires pour concrétiser ces changements, ni établi s'il existe une lacune entre ce qui est nécessaire et ce qu'ils possèdent actuellement. Nous avons aussi remarqué que les ministères n'avaient pas pris de mesures particulières pour surveiller les progrès réalisés dans l'établissement de solides capacités de gestion financière.

La réponse du Secrétariat du Conseil du Trésor, au nom du gouvernement et des cinq ministères examinés, figure à la fin du chapitre. Cette réponse indique que les recommandations correspondent aux plans actuels d'amélioration et aux attentes du gouvernement en matière de pratiques de gestion saines.

Les réponses de l'Agence canadienne du développement international, d'Environnement Canada, de Pêches et Océans, de Santé Canada et de Transports Canada sont incluses dans le chapitre, avec les études de cas. Elles indiquent une volonté de combler les lacunes relevées; dans de nombreux cas, des initiatives en ce sens sont déjà en cours.

L'évaluation des capacités de gestion financière des ministères

Chapitre 13 – Points saillants

13.1 Nous avons évalué les capacités de gestion financière de cinq ministères par rapport aux critères établis dans le Modèle de la capacité de gestion financière qui a été publié en avril 1999. Dans chaque ministère, nous avons constaté des lacunes entre les attentes actuelles à l'égard de la gestion financière et les capacités que possèdent les ministères. Les capacités nécessaires pour répondre aux attentes actuelles sont conformes à celles que nous avons décrites dans le niveau du contrôle du Modèle de la capacité de gestion financière.

13.2 Nous avons également constaté que les ministères commencent à peine à établir les capacités nécessaires pour répondre aux exigences de la Stratégie d'information financière du gouvernement et de l'Initiative de modernisation de la fonction de contrôleur. Ces capacités sont conformes à celles décrites dans le niveau de l'information du Modèle de la capacité de gestion financière.

13.3 Si l'on se fonde sur le niveau des capacités de gestion financière des ministères que nous avons vérifiés, les défis à relever pour améliorer la gestion financière sont énormes. Un seul ministère répond à presque toutes les attentes actuelles du gouvernement et aucun n'a actuellement les capacités nécessaires pour atteindre les objectifs de la Stratégie d'information financière et de l'Initiative de modernisation de la fonction de contrôleur. En bref, il sera très difficile d'assurer dans le secteur public une gestion semblable à celle du secteur privé si l'on n'intègre pas une information financière plus rigoureuse à la gestion quotidienne et à l'information redditionnelle communiquée au Parlement. L'établissement de ces capacités dans l'ensemble du gouvernement exigera un engagement ferme et un appui soutenu du Secrétariat du Conseil du Trésor, du Bureau du Conseil privé et des sous-ministres.

13.4 Le Bureau fait état depuis plusieurs années de la nécessité d'améliorer la gestion financière au gouvernement. De même, le Comité des comptes publics a noté ce qui suit : « on assiste à un appel général à l'amélioration de l'information financière fournie comme aide aux décisions du gouvernement ». Nous avons constaté une augmentation du nombre d'initiatives prises et un sentiment d'urgence accru visant l'élaboration de capacités solides en gestion financière. Le gouvernement et les ministères aussi ont un rôle important à jouer dans ce domaine. Le succès *Des résultats pour les Canadiens et les Canadiennes – Un cadre de gestion pour le gouvernement du Canada,* de la Stratégie d'information financière et de l'Initiative de modernisation de la fonction de contrôleur dépendra de leur action.

Contexte et autres observations

13.5 La gestion financière est un important volet de ce que font les gestionnaires des finances et des programmes des ministères et organismes pour assurer les programmes et les services et exercer une intendance sur les ressources qui leur sont confiées. Une approche systématique et intégrée de la gestion financière permet aux gestionnaires de disposer de l'information voulue pour prendre de bonnes décisions, bien gérer les risques et rendre compte adéquatement de l'utilisation des ressources publiques. Jusqu'à tout récemment, la gestion financière mettait l'accent sur le contrôle des budgets et le traitement des opérations. Dans le contexte d'aujourd'hui, qui évolue rapidement, il est urgent que le gouvernement assure une gestion financière efficace.

13.6 Nous avons noté que les ministères n'avaient pas instauré de surveillance adéquate de l'efficacité de leur cadre de contrôle. Une telle surveillance, ainsi que la communication à la haute direction de l'assurance que les mécanismes de contrôle fonctionnent comme prévu, constitue l'un des éléments importants d'une gestion saine.

12.7 Il incombe à tous les membres du secteur public fédéral et des entreprises du secteur privé, ainsi qu'aux organismes et aux particuliers qui reçoivent des fonds du secteur public ou qui font affaire avec celui-ci, de veiller à ce que les décisions prises soient conformes à l'éthique.

12.8 D'importants changements ont actuellement lieu dans la façon dont le gouvernement structure et exécute ses programmes. Parmi ces changements, mentionnons la déréglementation, la réduction de l'effectif, une délégation accrue de pouvoirs décisionnels aux fonctionnaires dans les régions, l'impartition, ainsi que la conclusion de partenariats avec le secteur privé. L'État a en outre recours à des technologies nouvelles, et son effectif devient plus mobile et diversifié. De ce fait, il se fonde de plus en plus sur de solides assises en matière de valeurs et d'éthique pour prendre des décisions qui tiennent compte de l'intérêt public.

12.9 Dans le cadre des efforts de saine gestion qui sont déployés, plusieurs ministères mettent en œuvre d'importantes initiatives en matière de valeurs et d'éthique. D'autres considèrent que l'élaboration de ce genre d'initiatives ne constitue pas une haute priorité. Nous croyons que toutes les entités devraient évaluer objectivement les questions relatives aux valeurs et à l'éthique, et en rendre compte.

Les réponses du Bureau du Conseil privé, des sous-ministres co-champions chargés de promouvoir les valeurs et l'éthique dans la fonction publique, du Secrétariat du Conseil du Trésor et du conseiller en éthique sont insérées à la fin du présent chapitre. Tous sont d'accord avec notre évaluation des initiatives en cours et ils reconnaissent qu'il y a encore beaucoup de travail à accomplir.



Les valeurs et l'éthique dans le secteur public fédéral

Chapitre 12 – Points saillants

12.1 Les Canadiens s'attendent à ce que le secteur public fédéral soit un chef de file mondial en ce qui a trait à la promotion de valeurs saines et de l'éthique au sein du gouvernement. Ces valeurs et cette éthique constituent un élément essentiel d'une saine régie publique qui respecte et appuie les valeurs démocratiques fondamentales.

12.2 Il faut engager un dialogue approfondi et soutenu avec les Canadiens et dans l'ensemble du secteur public fédéral. Nous proposons un cadre d'action comportant huit mesures prioritaires, et suggérons de commencer par les deux priorités suivantes :

- Renforcer le leadership pour ce qui est de promouvoir un comportement conforme à l'éthique, et ce, par exemple,
  - en clarifiant le principe de la responsabilité ministérielle et les responsabilités des hauts fonctionnaires;
  - en déterminant les responsabilités des gestionnaires supérieurs et hiérarchiques à l'égard de la promotion de valeurs saines et de l'éthique.
- Relancer un dialogue approfondi sur les valeurs et l'éthique, qui souligne la primauté des principes suivants : le respect de la loi, l'intérêt public et la fonction publique en tant que bien public.

12.3 Des valeurs et une éthique saines sont essentielles au maintien de la probité. Le secteur public fédéral dispose d'une solide assise au chapitre des valeurs et de l'éthique, mais cela ne devrait pas être tenu pour acquis. Le gouvernement prend actuellement une série de mesures pour préserver cette assise, mais la plupart d'entre elles sont d'une envergure restreinte ou en sont à une étape préliminaire. Pour améliorer les chances de succès, il faut que les initiatives liées aux valeurs et à l'éthique soient élaborées, mises en œuvre et surveillées avec soin, en recourant aux meilleures pratiques possibles. Le leadership des parlementaires, des ministres et des hauts fonctionnaires constitue une condition préalable au succès.

12.4 Le gouvernement fédéral doit établir un plan de mise en œuvre assorti d'échéances afin de traiter des priorités relatives aux valeurs et à l'éthique qui s'appliquent à l'ensemble du secteur public ainsi qu'aux entités fédérales. Nous continuerons de surveiller les initiatives liées aux valeurs et à l'éthique au sein du secteur public et nous continuerons de rendre compte de la situation au Parlement.

Contexte et autres observations

12.5 Notre étude portait sur les initiatives liées aux valeurs et à l'éthique qui favorisent la prise de décisions éthiques conformes à l'intérêt public. Ces initiatives constitueraient une approche exhaustive à l'égard d'une saine régie dans les entités fédérales.

12.6 Le rapport de mai 1995 que nous avons présenté au Parlement comporte un chapitre intitulé « La sensibilisation à l'éthique et à la fraude au gouvernement ». En 1996, le gouvernement a publié *De solides assises — Rapport du Groupe de travail sur les valeurs et l'éthique dans la fonction publique* (le Rapport Tait). Ces deux documents ont contribué à former un consensus sur les questions relatives aux valeurs et à l'éthique qui doivent être réglées dans la fonction publique fédérale.

projets. Toutefois, le temps et les efforts à consacrer à l'examen et à l'évaluation des propositions, au suivi des progrès, à l'évaluation du rendement et à l'analyse des résultats devraient varier selon l'importance des fonds fédéraux en cause et des risques associés au projet.

11.7 DRHC a mis en place un système novateur de suivi du rendement — un système qui permet de noter les améliorations apportées à la gestion et à l'administration des subventions et des contributions. Le suivi continu du rendement et la vérification interne sont des outils essentiels pour l'évaluation des améliorations apportées au cadre de contrôle de gestion.

Contexte et autres observations

11.8 DHRC a consacré en 1999-2000 environ trois milliards de dollars à des subventions et à des contributions à verser pour des programmes, par exemple, de création d'emplois ou d'emploi des jeunes, ainsi que pour des prestations d'emploi et des mesures de soutien. Nous avons examiné en détail 4 des quelque 40 programmes de subventions et de contributions discrétionnaires offerts par DRHC : le Fonds transitoire pour la création d'emplois et le programme qui l'a remplacé, le Fonds du Canada pour la création d'emplois, Jeunes stagiaires Canada, le Programme de partenariats pour le développement social et l'Initiative des partenariats sectoriels.

11.9 Les problèmes qu'éprouve DRHC à gérer ses subventions et ses contributions se sont aggravés au cours des années 1990; des vérifications menées à la fin des années 1990 révèlent la persistance de problèmes déjà cernés. Une vérification interne menée en 1991 et le suivi effectué en 1994 n'ont donné lieu qu'à très peu de mesures correctives. La direction s'employait alors en priorité à mettre en œuvre d'importantes initiatives d'orientation de la politique et à améliorer le service offert; on n'a pas insisté suffisamment sur le maintien des contrôles essentiels dans un contexte de réduction de la bureaucratie et d'amélioration du service.

11.10 Il faut faire encore plus pour déterminer quelles sont les ressources nécessaires pour administrer les programmes de subventions et de contributions. Les plans et les mesures correctives du Ministère visent à renforcer la capacité d'exécution des programmes en donnant aux employés un soutien, une formation, des outils et des systèmes appropriés. DRHC prend également des dispositions pour recruter des employés aux niveaux correspondant à ses besoins. Le Ministère prévoit analyser la charge de travail pour s'assurer que les ressources en place sont suffisantes.

11.11 Pour les programmes que nous avons vérifiés, des renseignements généraux avaient été diffusés afin que les gens puissent en connaître l'existence. Le plus souvent, la promotion de ces programmes se faisait de façon passive et, dans le cas de certains programmes offerts au niveau local, elle variait considérablement selon la région ou le bureau responsable. L'information n'était pas toujours diffusée de manière à favoriser l'égalité d'accès aux programmes.

Le présent chapitre présente une réponse globale du Ministère et des réponses à chacune de nos recommandations.

DRHC a réagi positivement à nos constatations et à nos recommandations. Le Ministère affirme qu'il continuera de progresser au même rythme pour ce qui est de la réalisation des engagements présentés dans son plan d'action et des engagements liés à des initiatives connexes.

Développement des ressources humaines Canada

Les subventions et les contributions

Chapitre 11 – Points saillants

11.1 Au cours de notre vérification, nous avons examiné quatre des programmes de subventions et de contributions qui faisaient partie de la vérification interne de 1999 de Développement des ressources humaines Canada (DRHC). Nous avons conclu qu'il y avait des lacunes généralisées au chapitre des cadres de contrôle de gestion des quatre programmes. Nos constatations, qui s'appliquaient à la période se terminant en décembre 1999, confirment celles de la vérification interne de 1999 et vont plus loin. Nous avons notamment relevé des transgressions des autorisations applicables, des paiements effectués de manière inappropriée, un contrôle très restreint des finances et des activités, et des approbations non fondées sur les procédures établies.

11.2 Souvent, les résultats visés par les projets n'étaient pas définis en termes mesurables. Et même lorsque c'était le cas (comme pour le programme Jeunes stagiaires Canada), les résultats n'étaient pas mesurés systématiquement, ce qui empêchait les gestionnaires d'obtenir les renseignements requis pour concevoir des modifications utiles et de disposer des données nécessaires à leur reddition de comptes. Ces programmes avaient fait l'objet d'une certaine évaluation. À la suite de l'évaluation de l'Initiative des partenariats sectoriels et du Fonds transitoire pour la création d'emplois, ces programmes ont subi quelques modifications. Toutefois, nous n'avons pas pu appuyer les constatations du Ministère sur l'efficacité du Fonds transitoire pour la création d'emplois.

11.3 En examinant les 37 dossiers « problématiques » identifiés aux fins de suivi par sa vérification interne, le Ministère n'a relevé que quelques cas où il était possible de recouvrer des fonds auprès des promoteurs de projet, parce que la plupart des paiements erronés étaient attribuables à des pratiques inappropriées des employés du Ministère. Bon nombre de ces pratiques ne sont pas acceptables – aller de l'avant sans les approbations requises, s'appuyer sur des contrats verbaux et rembourser des dépenses non admissibles, par exemple. La communication, par DRHC, des résultats de l'examen était centrée sur les trop-payés et fournissait peu d'information sur les problèmes décelés.

11.4 Les gestionnaires actuels de DRHC se sont engagés à régler les sérieuses faiblesses du cadre de contrôle de gestion qu'avaient signalées la vérification interne et notre vérification pour la période se terminant en décembre 1999. DRHC a planifié et mis en œuvre des mesures correctives en réponse aux problèmes relevés dans le cadre de sa vérification interne de 1999. Les mesures et les plans mis en place visent eux aussi à corriger les lacunes que nous avons cernées dans notre vérification.

11.5 Le Ministère a fait des progrès satisfaisants dans la concrétisation des engagements pris dans son Plan d'action en six points annoncé en février 2000. La direction travaille à améliorer les outils et les mesures de soutien mis à la disposition des employés afin qu'ils puissent mieux s'acquitter de leurs tâches. On travaille également à d'autres initiatives visant à étendre ou à compléter le plan d'action initial.

11.6 Pour concrétiser le profond changement systémique visé par les plans d'action, la direction de DRHC ne devra pas relâcher ses efforts ni son attention. En plus des mesures correctives déjà prises, le Ministère devra faire en sorte que l'effort extraordinaire déployé aujourd'hui devienne son mode de fonctionnement de demain et, pour cela, il devra modifier radicalement son approche quotidienne pour la prestation des subventions et des contributions. Les gestionnaires et les employés du Ministère doivent continuer de centrer leur attention sur les aspects fondamentaux du contrôle. Des normes minimales de contrôle doivent être mises en place pour tous les

pas encore vu les résultats. Le Ministère n'a pas encore effectué une telle évaluation pour tout autre aéroport cédé du RNA.

- Nous nous soucions du fait que Transports Canada, dans les huit années du processus de cession, n'a pas défini clairement son rôle en tant que locateur et surveillant du Réseau national d'aéroports. Sa façon de traiter les nouvelles questions clés comme celles qui sont liées aux frais d'améliorations aéroportuaires, aux filiales et aux marchés à fournisseur unique s'est révélée en général inadéquate et, jusqu'en 1997, il ne s'en est pratiquement pas occupé. Le Conseil du Trésor et/ou le Cabinet ont reçu peu d'informations sur ces questions et certaines de ces informations étaient incomplètes et inexactes.

Contexte et autres observations

10.3 Il y a eu deux séries de cessions des aéroports du Réseau national d'aéroports. En 1992, Transports Canada a cédé à bail quatre grands aéroports — Montréal (Dorval et Mirabel), Vancouver, Calgary et Edmonton — à quatre « administrations aéroportuaires locales » à qui il a confié la gestion et l'administration de ces aéroports. La deuxième série a débuté en 1996 par la cession de l'Aéroport international Lester-B.-Pearson de Toronto. Depuis lors, 12 autres aéroports, notamment Ottawa, Victoria, Winnipeg et Moncton, ont été cédés à des « administrations aéroportuaires canadiennes ». À la fin de notre vérification, il restait encore à céder les quatre derniers aéroports du RNA — l'Aéroport international de Gander, l'Aéroport international Jean-Lesage de Québec et les aéroports de Fredericton et de Prince George.

10.4 Bien que Transports Canada ait entamé le processus de cession des aéroports vers la fin des années 1980, et qu'il cède des aéroports à bail depuis 1992, ce n'est qu'en 1994 qu'a paru la Politique nationale des aéroports. Pour le gouvernement, les cessions étaient perçues comme un moyen de financer l'expansion de ce réseau vital qu'est le Réseau national d'aéroports, de rendre les aéroports plus concurrentiels et viables et de donner aux collectivités la marge de manœuvre nécessaire pour qu'elles les utilisent comme des outils de développement économique. Par le fait même, Transports Canada aurait la possibilité de surveiller l'ensemble du Réseau.

10.5 Transports Canada signale qu'un certain nombre d'aspects de l'initiative de cession ont été positifs et que les administrations aéroportuaires ont fait des choix stratégiques qui représentaient également des décisions opérationnelles difficiles. Il s'agit, par exemple, de l'agrandissement d'installations pour les passagers, de la libéralisation des politiques opérationnelles et du déplacement du trafic régulier d'un aéroport à un autre.

Les réponses du Ministère à nos recommandations sont incluses dans le présent chapitre. Bien qu'il soit d'accord avec la plupart de nos recommandations et expose les mesures qu'il prend ou entend prendre pour y donner suite, le Ministère a pris une position différente sur un certain nombre de questions, comme il l'exprime dans sa réponse qui suit le paragraphe 10.106.

Transports Canada

Les cessions d'aéroports : le Réseau national d'aéroports

Chapitre 10 – Points saillants

10.1 Au cours de notre vérification, nous avons examiné la façon dont Transports Canada a procédé pour céder les aéroports les plus grands et les plus achalandés du Canada entre 1992 et 1999. Ces aéroports constituent le Réseau national d'aéroports du Canada. Aux termes des conventions de cession, Transports Canada demeure propriétaire des aéroports qu'il cède à bail à des organismes appelés administrations aéroportuaires auxquelles il a confié la gestion, l'exploitation et le développement de ces aéroports. Nous nous sommes concentrés sur les aspects financiers et de surveillance des aéroports cédés du Réseau national d'aéroports (RNA) et non sur la sûreté et la sécurité.

10.2 Nous avons trouvé de nombreux points faibles non négligeables dans les pratiques de gestion. Voici quelques-unes de nos plus importantes observations :

- Avant de commencer à négocier les baux pour chaque aéroport cédé de la deuxième série de cessions, et à renégocier d'autres baux, Transports Canada n'a pas déterminé la juste valeur marchande des éléments d'actif ni les possibilités d'affaires des aéroports qu'il cédait. Cette information est fondamentale pour la négociation et la renégociation des baux et, à notre avis, le fait qu'il n'y en ait pas représente un écart évident par rapport aux bonnes pratiques de gestion. La qualité des renseignements nécessaires pour prendre des décisions sur certains aspects comme le loyer s'en trouve donc grandement affaiblie.

- Le Ministère a renégocié quatre baux au coût, pour le gouvernement, d'environ 474 millions de dollars sous forme d'abandon de loyer (valeur actuelle nette de 342 millions de dollars). Les ententes renégociées ne sont pas conformes à certaines directives clés du gouvernement. De plus, Transports Canada ne peut démontrer en quoi les ententes pour tous les aéroports cédés sont équitables, uniformes, cohérentes et justes l'une par rapport à l'autre, comme le gouvernement l'a prescrit.

- Par suite des renégociations, le gouvernement a, de fait, convenu de réduire les futurs revenus de l'État et de financer de grands projets d'immobilisations. L'information présentée au Parlement sur le loyer cédé et le financement de projets d'immobilisations était fragmentaire, incomplète et, certaines années, inexistante.

- De 1992 à 1999, le gouvernement a continué de fournir une aide financière à la plupart des aéroports cédés. Il a fourni aux administrations aéroportuaires une somme totale de 360 millions de dollars, dont 118 millions de dollars sous forme de crédits de loyer à l'Aéroport international Lester-B.-Pearson de Toronto pour contribuer à la réalisation d'un certain nombre de projets de rénovation. Le gouvernement a touché en revenus locatifs un montant total net de 593 millions de dollars des administrations aéroportuaires au cours de cette période.

- Ainsi qu'ils avaient été évalués par les experts-conseils du Ministère, les résultats financiers préliminaires ont révélé que, cinq ans après la cession des quatre premiers aéroports en 1992, la situation financière la plus probable du gouvernement variait grandement à la suite de chaque cession — d'une situation meilleure à une situation « moins avantageuse ». Bien que l'évaluation ait été terminée — dans le cadre de trois études distinctes ayant coûté en tout 680 000 $ — un an avant la fin de notre vérification, nous avons constaté que le Conseil du Trésor et le Cabinet n'en avaient

Contexte et autres observations

9.5 Le « noyau » de la fonction publique est maintenant beaucoup plus petit qu'il ne l'a été depuis le début des années 1970. Au cours des dix dernières années, il a diminué de près de 100 000 employés et comptait quelque 143 000 employés à la fin de 1999. La réduction des effectifs, la dévolution, la privatisation, le recrutement limité et d'autres mesures ont contribué à cette diminution. Plus de 50 000 fonctionnaires ont quitté le « noyau » de la fonction publique (dont le Conseil du Trésor est l'employeur) pour des « employeurs distincts » comme l'Agence des douanes et du revenu du Canada.

9.6 Les travailleurs du savoir représentent maintenant 55 p. 100 des fonctionnaires (en hausse par rapport à 33 p. 100 il y a 15 ans). Ils nourrissent de nouvelles attentes à l'égard du milieu de travail, qui rendent les changements encore plus nécessaires.

9.7 Le pourcentage des fonctionnaires âgés de 45 à 54 ans a pratiquement doublé au cours des 14 dernières années. En outre, d'ici une dizaine d'années, 70 p. 100 des hauts fonctionnaires seront admissibles à la retraite. Cela laisse présager une crise du leadership. De plus, les jeunes sont sous-représentés : le pourcentage des fonctionnaires de moins de 35 ans est à peu près la moitié de celui de la main-d'oeuvre canadienne.

9.8 En 1996, le Secrétariat du Conseil du Trésor estimait qu'il existait 840 taux de rémunération distincts et 70 000 règles régissant la paie et les avantages sociaux. En 1997, les manuels du personnel et d'administration de la paie du Conseil du Trésor comptaient plus de 12 000 pages d'instructions. Il faut 119 jours civils en moyenne pour mener à terme un concours interne dans le « noyau » de la fonction publique, sans compter le temps de traitement des appels. C'est à peu près deux fois plus que le temps qu'il n'en faut dans certaines organisations quasi publiques, selon celles-ci. Pour un nouveau poste qui doit être classifié, la dotation exige 230 jours civils en moyenne — près de huit mois.

Dans sa réponse commune, le gouvernement convient de la nécessité d'un cadre solide pour la gestion des ressources humaines et de l'importance d'une fonction publique saine. Il est plus optimiste que le vérificateur général face à certaines questions et fait mention de récentes initiatives visant à régler certains problèmes. Dans sa réponse complémentaire, la Commission de la fonction publique a indiqué qu'elle poursuivait ses efforts pour améliorer les systèmes de dotation et pour amorcer un dialogue avec le Parlement.

La rationalisation du régime de gestion des ressources humaines

Une étude de l'évolution des rôles et des responsabilités

Chapitre 9 – Points saillants

9.1 Nous avons réalisé cette étude pour attirer l'attention du Parlement sur l'urgence de régler des problèmes de longue date et de s'attaquer aux nouveaux défis liés à la gestion des ressources humaines dans la fonction publique.

9.2 Le cadre actuel qui régit la gestion des ressources humaines dans le « noyau » de la fonction publique est dépassé et indûment complexe. Les systèmes administratifs sont lourds, coûteux et désuets. Ce cadre ne convient pas à un environnement qui exige souplesse et adaptabilité et qui est confronté à des défis majeurs en matière de gestion des ressources humaines et à un marché du travail de plus en plus concurrentiel.

9.3 La dotation dans la fonction publique est une source importante de frustration tant pour les gestionnaires que pour les employés. Le système, axé sur les règles, est inefficient. Les gestionnaires doivent posséder plus de pouvoirs en matière de dotation, mais ils doivent également être tenus de rendre compte de leurs décisions, et ce, de façon plus claire. Les intérêts des employés doivent être respectés, mais il est urgent de moderniser et de rationaliser le système de dotation et les mécanismes de recours connexes.

9.4 Depuis longtemps, on s'inquiète au sujet de la « responsabilité éparpillée » en matière de gestion des ressources humaines. La responsabilité et l'obligation de rendre compte des changements nécessaires pour simplifier, rationaliser et renforcer le régime actuel de gestion des ressources humaines doivent être clairement attribuées et appuyées adéquatement. Cela est particulièrement important dans les domaines où la responsabilité est divisée.

- Dans la gestion des ressources humaines, les sous-ministres — les dirigeants des principales organisations du gouvernement — sont considérés comme étant responsables avant tout de l'administration d'un cadre prescrit par les organismes centraux. Le rôle des sous-ministres doit évoluer de façon importante. Ils doivent être les principaux responsables de l'établissement et du maintien d'un milieu de travail sain dans leurs ministères et leurs responsabilités à l'égard de la gestion des ressources humaines doivent être énoncées officiellement. Les sous-ministres doivent être tenus de rendre compte de la façon dont leurs ministères s'acquittent de ces responsabilités, et ce, de façon claire.
- La Commission de la fonction publique doit engager un dialogue avec le Parlement sur les changements à apporter à ses activités et à la façon de s'acquitter de ses responsabilités pour assurer la protection du principe du mérite. Ce dialogue doit porter sur la nécessité d'une réforme législative de la dotation. La Commission doit aussi améliorer l'information communiquée sur le rendement des ministères quant au respect des dispositions et des principes de la *Loi sur l'emploi dans la fonction publique*.
- Le Conseil du Trésor doit améliorer l'information qu'il communique au Parlement sur les aspects de la gestion des ressources humaines dont il est responsable. De plus, il faut préciser la responsabilité des sous-ministres quant à l'information communiquée sur la qualité et l'efficacité de la gestion des ressources humaines de leurs ministères.

8.7 Au cours de la même période de trois ans, les réserves de liquidités internationales du Canada ont plus que doublé, pour s'établir à 25 milliards de dollars US. Un niveau élevé de réserves de liquidités internationales améliore la capacité du gouvernement de favoriser la stabilité de la valeur du dollar canadien et fournit également un large réservoir de fonds qui peuvent être utilisés pour financer les besoins imprévus. Cependant, il y a un coût à cela, car l'intérêt payé sur les emprunts en devises étrangères est généralement plus élevé que l'intérêt gagné sur les actifs en devises.

8.8 Nous avons examiné également la vente des titres au détail — les obligations d'épargne du Canada et les obligations à prime du Canada. Nous avons remarqué que, malgré les efforts de marketing déployés récemment pour ces obligations et la création d'un organisme de service spécial pour les commercialiser de façon dynamique, rien ne prouve de façon concluante que le programme des titres au détail est rentable. Nous encourageons le gouvernement à réexaminer le rôle du programme des titres au détail et ses répercussions sur les coûts. Nous l'encourageons également à communiquer les résultats de cet examen lorsqu'il l'aura réalisé.

Les réponses du Ministère à nos recommandations sont incluses dans le chapitre. Le Ministère accepte l'esprit de nos recommandations, en majeure partie, et indique comment il compte y répondre.

Ministère des Finances

La gestion de la dette du Canada : les nouveaux défis à relever

Chapitre 8 – Points saillants

8.1 Le programme de gestion de la dette du Canada est une activité bien gérée dans l'ensemble. Cependant, à l'instar de tout programme, il faut l'adapter à l'évolution de son environnement. Nous avons constaté trois secteurs où le ministère des Finances doit revoir ses pratiques. Il doit notamment :

- établir un éventail plus complet de mesures du rendement pour garantir qu'il possède une base fiable pour évaluer la mesure dans laquelle le programme atteint ses objectifs. À l'heure actuelle, le Ministère se sert d'un éventail de données à l'interne, mais il rend compte de son rendement pour un seul objectif, soit le ratio de la dette à taux fixe à la dette totale, maintenant aux deux tiers;
- améliorer la transparence pour assurer la reddition de comptes au public non seulement des avantages, mais également des coûts des décisions portant sur tous les aspects de la gestion de la dette. Au cours des dernières années, le gouvernement a augmenté considérablement la part de la dette à taux fixe et le niveau des réserves de liquidités internationales, et il a établi des objectifs pour les titres au détail — mais sans divulguer les coûts prévus de ces décisions;
- modifier la gestion de la planification stratégique en consultant un éventail de spécialistes de l'extérieur pour avoir l'assurance d'obtenir des conseils complets et indépendants.

Contexte et autres observations

8.2 À la fin de 1998-1999, la dette portant intérêt du Canada s'établissait à 595 milliards de dollars et les frais d'intérêt annuels, à 41,4 milliards de dollars. La gestion de la dette est la responsabilité du ministère des Finances, en collaboration avec la Banque du Canada et Placements Épargne Canada.

8.3 Le principal objectif du programme de gestion de la dette est de fournir à l'État un financement stable, à faible coût, tout en maintenant la liquidité des marchés nationaux pour cette dette. Un autre objectif est de garantir l'existence de réserves suffisantes dans le Compte du fonds des changes pour atténuer la volatilité du taux de change sur le dollar canadien.

8.4 Nous avons constaté que le groupe de personnes qui gèrent ce programme sont fort dévouées. Elles surveillent étroitement l'évolution de la situation financière et économique qui pourrait influer sur les activités de gestion de la dette et elles consultent régulièrement les opérateurs des marchés financiers. Elles se servent de techniques de modélisation de pointe pour déterminer les risques que pose la gestion de la dette et choisir des stratégies appropriées à cet égard.

8.5 Notre vérification a porté sur la façon dont les gestionnaires de la dette mesurent le rendement, sur l'information qu'ils communiquent et sur la régie du programme, plutôt que sur les choix qu'ils font ou les analyses qui justifient ces choix.

8.6 Au cours des dernières années, le gouvernement a pris d'importantes décisions concernant la gestion de la dette fédérale. Il a augmenté la part de la dette à taux fixe à plus long terme pour la porter aux deux tiers de la dette totale, ce qui représente quelque 18 p. 100 de plus qu'il y a trois ans. Si des titres à taux fixe à plus long terme rendent les coûts de l'intérêt plus prévisibles et réduisent le risque de refinancement, ils sont généralement plus coûteux, car les taux d'intérêt à long terme sont normalement plus élevés que les taux d'intérêt à court terme.

ont été laissées pour compte. Les services nationaux de la GRC ont été, au cours de la dernière décennie, examinés à diverses reprises par Solliciteur général Canada, le Secrétariat du Conseil du Trésor et la GRC elle-même.

La GRC est d'accord avec les constatations et indique qu'elle prendra des mesures pour remédier aux problèmes.

Gendarmerie royale du Canada

Les services offerts aux responsables de l'application de la loi

Chapitre 7 – Points saillants

7.1 Le niveau de service que la Gendarmerie royale du Canada (GRC) offre aux responsables de l'application de la loi ne répond pas aux besoins de cette clientèle. Par exemple, le Centre d'information de la police canadienne, un système d'une importance capitale qui fournit des renseignements aux policiers, aux tribunaux, aux établissements correctionnels et aux agents de libération conditionnelle, était inaccessible 11 p. 100 du temps l'an dernier, à l'échelle régionale ou nationale. Les analyses d'empreintes génétiques (analyses de l'ADN) prennent trop de temps et ne sont utilisées que dans les cas les plus graves. On ne tire donc pas pleinement profit de cette technique pour le renforcement de la sécurité publique. Les casiers judiciaires et les dossiers d'empreintes digitales dont il faut assurer la saisie dans les banques de données s'accumulent : l'arriéré peut aller jusqu'à deux mois. Par conséquent, les dossiers auxquels ont accès les forces policières et autres intervenants ne sont pas à jour. En outre, les vérifications de casier judiciaire demandées par des employeurs ou des organismes bénévoles prennent trop de temps.

7.2 Il est essentiel que la haute direction de la GRC prenne des mesures propres à éliminer l'arriéré dont font état un grand nombre des services et à améliorer leur efficience. La GRC doit, en particulier, rationaliser le nombre de ses laboratoires en vue de rehausser leur niveau de service. Elle doit par ailleurs améliorer de façon marquée ses systèmes de mesure du rendement et de communication des résultats. Il est important que les usagers, la haute direction de la GRC et les membres du Parlement soient mis au courant de ces résultats.

7.3 Il faut repenser les dispositions prises en 1966 par le gouvernement fédéral et les provinces pour la prestation des services offerts aux responsables de l'application de la loi. Il est temps d'établir une entente parfaitement claire entre tous ces responsables — que ce soit au fédéral, au provincial ou au municipal — sur le niveau de service, les dispositions de financement, la contribution des usagers, la gestion et la reddition de comptes. Cette nouvelle entente exigera la collaboration de toutes les parties.

Contexte et autres observations

7.4 La GRC fournit une gamme de services essentiels aux responsables de l'application de la loi au Canada : la police, les tribunaux, les prisons et les commissions de libération conditionnelle. Ces services comprennent l'identification dactyloscopique, les casiers judiciaires, les laboratoires judiciaires, les renseignements criminels et l'accès en direct à des banques de données comme celles de l'immatriculation des véhicules, des permis de conduire, des personnes recherchées et des biens volés. En 1998-1999, la GRC a dépensé environ 122 millions de dollars pour la prestation de ces services.

7.5 Il existe un certain nombre de secteurs où il convient de louer la GRC pour la bonne gestion de ses services : elle a réussi à garder fonctionnel l'ancien système d'information du Centre d'information de la police canadienne pendant qu'elle attendait un nouveau système; elle a mis en application de nouvelles techniques judiciaires telles que l'analyse de l'ADN; elle est en train d'élaborer une banque de données d'empreintes génétiques; et elle a apporté des améliorations substantielles à ses systèmes d'identification dactyloscopique et de casiers judiciaires.

7.6 Notre dernière vérification des services offerts aux responsables de l'application de la loi date de 1990. Nous avons fait alors un certain nombre de recommandations visant à améliorer l'économie et l'efficience des opérations. Bon nombre de nos recommandations n'ont été prises en considération que tout récemment; d'autres

6.8 Selon les systèmes d'information de l'Agence, environ 11 000 sociétés et particuliers ont déclaré plus de 10 milliards de dollars en dépenses de RS&DE pour 1997, demandant ainsi des crédits d'impôt de quelque deux milliards de dollars. Les grandes sociétés ont déclaré 85 p. 100 de ces dépenses.

6.9 Un personnel comptant 144 conseillers scientifiques et 268 vérificateurs des comptes examine les demandes dans 37 bureaux des services fiscaux, partout au Canada. Les conseillers déterminent si les travaux sont admissibles dans le cadre du programme, tandis que les vérificateurs examinent les coûts qui sont déclarés afin de déterminer s'ils sont admissibles.

6.10 Un objectif clé du plan d'action de l'Agence pour 1998 était de réduire l'incertitude quant à l'admissibilité des projets scientifiques. Par conséquent, l'Agence et le secteur privé ont proposé une définition de ce qu'est un projet de RS&DE admissible qui, à notre avis, modifie l'étendue des dépenses et des travaux de RS&DE admissibles et pourrait se traduire par des coûts supplémentaires en crédits d'impôt. Toute modification importante apportée à la définition d'un projet admissible devrait être revue par le ministère des Finances qui doit répondre des coûts du programme, de ses objectifs en matière de politique et des dispositions législatives connexes.

Les réponses de l'Agence des douanes et du revenu du Canada et du ministère des Finances sont incluses dans le chapitre. Ces réponses décrivent les mesures qui ont été et qui seront prises pour donner suite à nos recommandations.

Agence des douanes et du revenu du Canada et ministère des Finances

Le traitement des demandes de crédit d'impôt pour la recherche scientifique et le développement expérimental

Chapitre 6 – Points saillants

6.1 En 1994, le gouvernement a restreint le délai pour présenter une demande de crédit d'impôt pour la recherche scientifique et le développement expérimental (RS&DE) aux 18 mois suivant l'année au cours de laquelle les contribuables ont engagé les dépenses. L'Agence des douanes et du revenu du Canada (l'Agence ou l'ADRC) a alors reçu 16 000 demandes supplémentaires, qui représentaient 2,8 milliards de dollars en crédits d'impôt pour les années d'imposition remontant jusqu'à 1985.

6.2 Notre vérification a révélé que le traitement de ces demandes a manqué de cohérence à plusieurs égards. Ces manques de cohérence ont compromis l'équité du processus d'examen. De plus, il y a eu de graves divergences d'opinions au sein de l'Agence quant à la façon dont il convenait de régler un différend avec un demandeur au sujet d'une demande importante. L'Agence n'a pas su montrer qu'elle avait des mécanismes efficaces pour résoudre de telles divergences d'opinions entre ses agents pour des cas particuliers.

6.3 Le manque de clarté quant aux projets admissibles s'est traduit par un certain nombre de demandes non résolues, remontant jusqu'à 1985. Les crédits d'impôt correspondants s'élèvent à des centaines de millions de dollars. Depuis la création du programme de RS&DE, il y a des désaccords entre demandeurs et administrateurs ainsi qu'entre administrateurs sur ce qui constitue une activité ou un projet admissible, sur le degré de rigueur avec lequel un agent scientifique doit examiner une demande et sur l'étendue de la documentation qui doit être présentée à l'appui des demandes. Il faut au plus tôt adopter des règles plus claires afin que le programme soit exécuté et administré avec efficacité et efficience.

6.4 L'Agence a reconnu la nécessité d'améliorer l'administration du programme. À cette fin, en novembre 1998, après avoir consulté les intéressés, le ministre du Revenu national a publié un plan d'action. L'Agence a créé une nouvelle direction chargée du programme et elle a nommé un nouveau chef pour cette direction.

6.5 Selon notre vérification, l'Agence devrait améliorer l'évaluation du risque que les demandes des contribuables ne soient pas admissibles afin que le personnel scientifique et les vérificateurs puissent concentrer leurs efforts sur celles qui comportent les risques les plus élevés. L'Agence gère le risque d'inadmissibilité en effectuant des contrôles de la complétude, des évaluations du risque, des vérifications et des examens scientifiques.

6.6 Il se peut qu'une évaluation effectuée par le ministère des Finances et par l'Agence ait surestimé les dépenses supplémentaires au titre de la RS&DE générées par le programme. Selon cette évaluation, le programme de la RS&DE aurait entraîné une augmentation nette du revenu réel du Canada de 20 millions de dollars à 55 millions de dollars par année.

Contexte et autres observations

6.7 Le gouvernement fédéral favorise la recherche-développement dans le secteur privé au moyen d'encouragements ou stimulants fiscaux. Les contribuables reçoivent des crédits d'impôt après avoir engagé des dépenses pour leurs projets.

5.7 Les douanes fonctionnent dans un environnement qui continue d'évoluer. Pour faire face à ce changement, elles ont préparé en 1990 et en 1998 des documents d'étude qui servent de schéma directeur pour préciser leur orientation future et les initiatives à prendre dans ce contexte. Les douanes ont franchi des étapes importantes pour atteindre les objectifs qu'elles s'étaient fixés en 1990. Elles viennent de diffuser un projet de plan d'action quinquennal pour la mise en oeuvre des initiatives exposées dans le document d'étude de 1998.

Les réponses de l'Agence des douanes et du revenu du Canada sont intégrées au présent chapitre. L'Agence est d'accord avec nos sept recommandations et ses réponses présentent un certain nombre de mesures visant à leur donner suite.

Agence des douanes et du revenu du Canada

Les voyageurs arrivant au Canada : la gestion des risques aux points d'entrée

Chapitre 5 – Points saillants

5.1 L'Agence des douanes et du revenu du Canada déploie beaucoup d'efforts pour moderniser ses opérations douanières et utiliser plus efficacement les technologies existantes. Cependant, nous avons constaté que plusieurs améliorations importantes s'imposaient.

5.2 Une stratégie claire et complète d'observation de la loi et des règlements est un élément essentiel de promotion de cette observation. Les douanes n'ont pas encore de stratégie globale d'observation décrivant clairement leurs plans pour encourager l'observation volontaire, ainsi que leur approche en vue d'une exécution responsable.

5.3 Nous avons constaté que l'évaluation des risques était incomplète : les douanes ne disposent pas de l'information importante nécessaire provenant de plusieurs ministères et organismes, pour évaluer pleinement les risques auxquels leurs inspecteurs sont confrontés. Il faut qu'elles déterminent les secteurs où les risques sont les plus élevés afin d'établir la meilleure façon de les contrôler. Nous avons recommandé que les douanes mettent plus d'empressement à obtenir une description précise des risques qu'elles doivent assumer, aux divers bureaux d'entrée, en raison des responsabilités qu'elles doivent y exercer au nom d'autres ministères — par exemple, au nom de Citoyenneté et Immigration Canada, de Santé Canada et de l'Agence canadienne d'inspection des aliments — et qu'elles utilisent les données ainsi obtenues pour faire une évaluation nationale des risques. Il leur faut également établir avec ces ministères un protocole d'entente à jour qui décrit les responsabilités et les rôles de chacun.

5.4 Nous avons également constaté que les inspecteurs des douanes à la frontière et dans les aéroports ont besoin d'être mieux équipés pour effectuer le travail complexe qui leur est confié. Ils doivent faire appliquer les lois et règlements sur les douanes et l'accise et prendre des décisions de tout ordre pour de nombreux autres ministères. Lors du traitement des voyageurs, les inspecteurs des douanes doivent prendre très rapidement des décisions. Les douanes possèdent de l'information, des systèmes et des programmes de formation pour aider leurs agents, mais l'information n'est pas communiquée uniformément, les systèmes doivent être améliorés et la formation est inégale.

Contexte et autres observations

5.5 En 1998-1999, le programme des douanes de l'Agence des douanes et du revenu du Canada a permis de traiter plus de 104 millions de voyageurs arrivant au Canada aux points ou bureaux d'entrée. Environ la moitié d'entre eux étaient des résidants du Canada qui revenaient au pays. La plupart des voyageurs entrent au Canada par transport routier en provenance des États-Unis (79 p. 100) ou par transport aérien (17 p. 100). Depuis 1991-1992, le nombre de voyageurs arrivant par la route a diminué, tandis que le nombre de voyageurs aériens a crû de près de 48 p. 100, en partie en raison de l'Accord Canada-États-Unis sur l'ouverture des espaces aériens.

5.6 Au fil des ans, le rôle des douanes a évolué. Autrefois, elles s'occupaient surtout de percevoir des recettes; désormais elles ont pour rôle de faciliter l'entrée des voyageurs et des marchandises, de protéger la société canadienne et de promouvoir la compétitivité des entreprises canadiennes.

Affaires indiennes et du Nord Canada

L'enseignement primaire et secondaire

Chapitre 4 – Points saillants

4.1 Affaires indiennes et du Nord Canada ne peut démontrer qu'il atteint l'objectif qu'il s'est fixé, à savoir aider les élèves membres d'une Première nation qui vivent dans une réserve à répondre à leurs besoins et à leurs aspirations en matière d'éducation. Par exemple, le Ministère n'a pas l'assurance dont il a besoin que les élèves membres d'une Première nation reçoivent une éducation convenable sur le plan culturel. De plus, les progrès accomplis pour combler l'écart en matière de scolarisation qui touche les élèves indiens vivant dans les réserves ont été lents à un point inacceptable. Au rythme où les progrès sont réalisés actuellement, il faudra plus de 20 ans pour que leur niveau de scolarisation atteigne celui des autres Canadiens.

4.2 Pour obtenir cette assurance et bien s'acquitter de ses responsabilités, le Ministère doit régler plusieurs questions importantes, notamment définir son rôle en matière d'éducation, élaborer et utiliser des mesures de rendement adéquates, et améliorer son rendement opérationnel. Tout en s'attaquant à ces questions, le Ministère devra davantage tenir compte des besoins culturels et particuliers des élèves indiens, de même que des facteurs socio-économiques qui peuvent influer sur la réussite scolaire.

4.3 Cette situation est complexe et nécessite une solution rapide. L'urgence augmentera à mesure que les exigences s'accentueront en matière d'éducation par suite de l'accroissement de la population dans les réserves, des changements technologiques et de la modification des programmes provinciaux d'enseignement, sur lesquels se fie le Ministère. Même si celui-ci a cerné ou amorcé plusieurs projets de réforme de l'éducation, il lui reste toujours à prendre les mesures importantes qui permettront de régler ces questions.

Contexte et autres observations

4.4 Le Ministère est habilité à jouer un rôle actif dans la prestation de l'enseignement primaire et secondaire des enfants indiens vivant dans les réserves. Même s'il a choisi de se fier aux Premières nations et aux provinces pour la conception et la prestation d'une éducation appropriée, il reconnaît que cette approche ne diminue pas sa responsabilité et son obligation de rendre des comptes.

4.5 Pendant plus d'un siècle, des lois, des traités avec les Indiens et des politiques gouvernementales ont façonné le mandat et les responsabilités des Affaires indiennes et du Nord Canada en matière d'éducation.

4.6 En ce moment, quelque 117 000 élèves inscrits aux écoles primaires et secondaires vivent dans une réserve. Les coûts budgétés actuels, sans compter les coûts de construction et d'entretien des écoles, s'élèvent à environ un milliard de dollars par année.

Affaires indiennes et du Nord Canada reconnaît l'importance des questions soulevées dans le présent chapitre. Il est d'avis que l'initiative Rassembler nos forces : Le Plan d'action du Canada pour les questions autochtones, ainsi que d'autres projets prévus en éducation auxquels il participe avec les Premières nations et les gouvernements provinciaux, aideront à combler l'écart en matière de scolarisation dont fait état ce chapitre.

mais de prendre des décisions qui pourraient comporter des risques trop élevés et entraîner des coûts importants pour la société canadienne.

3.8 De façon générale, il y a lieu de s'interroger sérieusement, à savoir si le Ministère a les ressources et la capacité opérationnelle requises pour accomplir les tâches nécessaires à l'atteinte des niveaux annuels d'immigration établis par le gouvernement.

Contexte et autres observations

3.9 Citoyenneté et Immigration Canada est responsable, entre autres, d'établir la politique sur l'immigration, de sélectionner les immigrants et d'évaluer les demandes des visiteurs à l'étranger. Il protège également la santé et la sécurité des Canadiens en interceptant et en renvoyant dans leur pays d'origine les personnes qui n'ont pas le droit d'entrer ou de demeurer au Canada.

3.10 En 1999, environ 190 000 immigrants ont été admis au Canada. Le Programme d'immigration est composé de quatre grands volets : la famille, le volet économique, les réfugiés et les autres. Notre vérification a porté sur le volet économique qui compte pour 56 p.100 des immigrants admis chaque année. Ce volet vise à recruter des travailleurs qualifiés et des gens d'affaires.

3.11 La prestation des services d'immigration à l'étranger se fait par le biais d'un réseau complexe de 81 bureaux situés dans les ambassades, les hauts-commissariats et les consulats canadiens. Un personnel composé d'environ 210 agents canadiens et de 980 employés locaux y travaille et y traite, chaque année, un grand nombre de visas d'immigrant, de visas de visiteur et d'autorisations d'études et d'emploi temporaire. Plusieurs autres ministères et organismes fédéraux contribuent à l'atteinte des objectifs du Programme d'immigration, y compris le ministère des Affaires étrangères et du Commerce international, le Service canadien du renseignement de sécurité, la Gendarmerie royale du Canada et Santé Canada.

3.12 Il est décevant de constater la similitude entre plusieurs des lacunes relevées dans le présent chapitre et celles dont nous avions fait état en 1990. Au cours des années, le gouvernement et le Ministère ont entrepris plusieurs initiatives pour corriger la situation, mais sans grands résultats.

3.13 Cette situation requiert une attention immédiate à la fois du Ministère et du gouvernement. D'une part, le Ministère doit améliorer l'efficience du traitement des demandes d'immigration. Les bureaux à l'étranger croulent sous la paperasserie et la désuétude de leur technologie constitue un obstacle sérieux à l'amélioration du rendement. Le Ministère a besoin d'une bien meilleure information sur les ressources requises pour lui permettre d'assumer ses responsabilités en matière de traitement des demandes d'immigration. D'autre part, un investissement important de ressources peut être nécessaire pour combler les lacunes que nous avons observées et permettre au Ministère de réaliser les gains d'efficience possibles que nous avons relevés. Il est particulièrement essentiel que, lors de l'établissement des niveaux d'immigration annuels, le gouvernement s'assure de maintenir un équilibre approprié entre les ressources allouées au Ministère et à ses partenaires fédéraux et la charge de travail que représente l'exécution des tâches requises pour les atteindre.

3.14 La révision de la *Loi sur l'immigration* que le Ministère entreprend présentement offre une excellente occasion de combler certaines des lacunes. Toutefois, le défi pour le gouvernement et le Ministère est énorme et complexe. Étant donné que le Parlement a manifesté un intérêt particulier à l'égard du Programme, en exigeant la présentation d'un plan annuel d'immigration, nous encourageons les parlementaires à surveiller de près la situation.

Le chapitre présente les réponses de Citoyenneté et Immigration Canada, de Santé Canada, de la Gendarmerie royale du Canada, du Service canadien du renseignement de sécurité et du ministère des Affaires étrangères et du Commerce international. Ils acceptent nos recommandations et notent que des initiatives sont actuellement en cours dans plusieurs secteurs.

Citoyenneté et Immigration Canada

Le volet économique du programme canadien d'immigration

Chapitre 3 – Points saillants

3.1 Nous avons remarqué de graves lacunes dans la gestion et l'exécution du volet économique du Programme canadien d'immigration qui vise à recruter des personnes hautement qualifiées qui peuvent rapidement contribuer à notre économie et s'adapter à notre société. Ces lacunes limitent de façon importante la capacité du Canada à maximiser les avantages économiques et sociaux que procure l'immigration et à protéger l'intégrité de son programme d'immigration.

3.2 Nous avons constaté que les bureaux d'immigration à l'étranger ne suffisent pas à la tâche. Ils éprouvent beaucoup de difficultés à assumer la charge de travail et les responsabilités qui leur sont assignées. Les niveaux d'immigration que le gouvernement a établis ne sont pas respectés et les requérants attendent de plus en plus longtemps avant que leur demande ne soit finalisée, parfois plus de trois ans.

3.3 Nous avons noté des lacunes qui exposent Citoyenneté et Immigration Canada à des critiques quant à la qualité et à l'uniformité des décisions prises dans le cadre des activités de sélection des immigrants. Les agents des visas ont besoin de meilleurs critères de sélection, d'une meilleure formation et de meilleurs outils pour évaluer plus efficacement les demandes d'immigration. En outre, la qualité de leurs décisions ne fait pas l'objet d'une surveillance suffisante de la part du Ministère. Nous avons relevé des écarts importants dans les taux d'acceptation entre les agents ayant des cas similaires à traiter.

3.4 Notre vérification a permis de cerner des faiblesses importantes dans la gestion des évaluations médicales des immigrants éventuels. Depuis notre dernière vérification en 1990, le Ministère et Santé Canada ont été incapables de prendre position sur la question suivante, à savoir s'il est nécessaire de modifier les normes en matière d'examens médicaux, lesquelles servent à déterminer si un requérant représente un danger pour la santé et la sécurité publiques ou pourrait engendrer un fardeau excessif pour le système de soins de santé ou les services sociaux. On exige les mêmes examens de routine depuis 40 ans et les ministères n'ont pas décidé si les requérants devaient subir systématiquement des tests pour des maladies infectieuses autres que la syphilis et la tuberculose. Nous sommes aussi très préoccupés par le manque de rigueur et d'uniformité de la gestion globale des activités d'évaluation médicale, y compris les pratiques entourant la supervision des médecins locaux désignés qui effectuent à l'étranger les examens médicaux des immigrants éventuels.

3.5 Il y a de sérieuses entraves à la détermination de l'admissibilité des immigrants éventuels sur le plan de la criminalité et de la sécurité. Les agents des visas disposent de peu d'information et de soutien pour s'assurer que les demandeurs ne sont pas des personnes susceptibles de s'engager dans des activités criminelles ou de menacer la sécurité des Canadiens. Certaines personnes sont ainsi admises au Canada sans que l'on ait l'assurance raisonnable qu'elles n'ont pas commis d'actes criminels à l'étranger, ne se sont pas livrées à l'espionnage, à la subversion ou au terrorisme, ou n'ont pas de liens avec le crime organisé.

3.6 Le Ministère est très vulnérable à la fraude et à l'abus. Il n'a aucune mesure efficace en place pour décourager les personnes de soumettre des demandes frauduleuses, et les méthodes de détection qu'utilisent les agents des visas sont coûteuses. De plus, nous avons constaté que les contrôles des recettes, des formulaires de visas et des systèmes informatiques sont insuffisants.

3.7 Les employés responsables du traitement des demandes d'immigration dans les bureaux à l'étranger sont très inquiets de la situation actuelle. Ils ont non seulement le sentiment d'agir à l'encontre de leurs propres valeurs

téléphoniques et dix centres de traitement du courrier. Près de 80 p. 100 des quelque 21 000 employés de DRHC travaillent au niveau local.

2.8 Afin d'assurer l'amélioration continue de la qualité du service, les gestionnaires doivent obtenir une plus grande rétroaction des clients au niveau local, par exemple en enquêtant sur la satisfaction des clients et en analysant les plaintes qu'ils formulent. Il n'y a aucune politique de traitement des plaintes relatives au Programme d'assurance-emploi et aux Programmes de la sécurité du revenu. Précisons toutefois que les responsables des Programmes de la sécurité du revenu ont commencé à élaborer une telle politique.

2.9 Le Ministère ne dispose pas de l'information sur les coûts dont il a besoin pour gérer le compromis à faire entre le coût de ses principaux services et leur qualité. Nous croyons qu'il doit s'efforcer d'élaborer et de mettre en oeuvre, au niveau local, des plans d'action axés sur l'amélioration continue de la qualité du service.

Les réponses du Ministère à nos recommandations sont présentées dans le chapitre. En général, le Ministère est d'accord avec les recommandations et il indique les mesures qu'il prend ou qu'il prévoit prendre pour les mettre en oeuvre.

Développement des ressources humaines Canada

La qualité du service au niveau local

Chapitre 2 – Points saillants

2.1 Développement des ressources humaines Canada (DRHC) a fait des progrès considérables au chapitre de la qualité du service. Au cours des dernières années, le Ministère a pris différentes initiatives nationales, notamment en élaborant une politique qui précise son approche d'un service de grande qualité; en mettant en oeuvre un nouveau réseau de prestation de services pour rendre ceux-ci plus accessibles aux Canadiens; et en établissant quels engagements nationaux il prenait. Au niveau local, mentionnons des initiatives visant à améliorer les compétences des employés en matière de service et l'utilisation de nouvelles technologies.

2.2 Bien que DRHC ait pris des engagements nationaux, ils ne sont pas communiqués uniformément aux clients dans les points de service. De plus, les bureaux locaux ne divulguent pas aux clients, de façon uniforme, la mesure du rendement en regard des objectifs de la prestation de services, le coût des services et la façon de déposer une plainte sur le service reçu et d'obtenir réparation.

2.3 Le Ministère n'a pas de mesures du rendement pour évaluer tous les engagements nationaux qu'il a pris. Les mesures du rendement des services sont centrées sur le temps d'attente pour les services au comptoir ainsi que sur la rapidité du traitement des demandes et des paiements. Toutefois, nous avons noté des faiblesses concernant la mesure de ces deux indicateurs.

2.4 En dépit des améliorations qui ont été apportées à la rapidité du paiement des prestations d'assurance-emploi au cours des trois dernières années, on estime qu'au cours de cette période les paiements erronés sont passés de quatre à six dollars pour chaque 100 $ payés. Selon l'information disponible, on remarque une augmentation aussi bien des moins-payés que des trop-payés; cette augmentation est due notamment à une diminution de la qualité de l'information soumise par les employeurs. Nous avons constaté que les gestionnaires des bureaux locaux mettent surtout l'accent sur la rapidité des paiements. On ne trouve ni objectifs de rendement ni mesures de l'exactitude pour le traitement des demandes au niveau local.

2.5 Les services d'aide à l'emploi sont de plus en plus offerts par des organisations non gouvernementales en vertu d'accords de contribution conclus avec DRHC. Les accords que nous avons examinés ne décrivent pas les attentes ou les objectifs pour ce qui est du rendement des services. Ils n'exigent pas non plus que les organisations non gouvernementales rendent compte de la qualité des services offerts.

2.6 L'information que le Ministère fournit au Parlement au sujet de sa performance en regard des engagements nationaux qu'il a pris présente des lacunes. De plus, nous avons constaté des lacunes dans l'information qui pourrait mettre en perspective le rendement des services qui est communiqué. Il n'est pas possible, par exemple, d'évaluer la rapidité du paiement des prestations d'assurance-emploi en fonction de l'information sur l'exactitude des paiements.

Contexte et autres observations

2.7 Près d'un Canadien sur trois est un client de DRHC. Chaque année, le Ministère traite entre 60 millions et 80 millions de demandes relatives aux programmes, envoie environ 100 millions de lettres et verse plus de 50 milliards de dollars en prestations diverses. La plupart des programmes et des services sont offerts au niveau local par l'un des plus importants réseaux de prestation de services du gouvernement fédéral. Ce réseau comprend 320 centres de ressources humaines du Canada, 5 000 kiosques libre-service, 21 centres de services

1.8 Les gestionnaires des services ont donné suite à nos recommandations de 1996 et cherché des moyens pour obtenir une amélioration continue, mais aucune des recommandations n'a été pleinement mise en oeuvre. Toutefois, nous avons constaté que les gestionnaires et le personnel de la fonction publique mettent beaucoup plus l'accent sur le service et l'innovation.

1.9 C'est avec découragement que nous avons constaté la lenteur des progrès accomplis par le projet d'amélioration des inscriptions du gouvernement (les « pages bleues »). Le groupe de travail sur le service au public de Fonction publique 2000 a établi, en 1990, qu'un remodelage de ces pages était nécessaire.

1.10 Au cours des trois dernières années, les ministères et organismes ont fourni au Parlement plus d'information sur la qualité du service, et l'information communiquée sera probablement plus utile. L'information sur les tendances du rendement et sur les coûts des services doit cependant être améliorée.

1.11 Depuis 1998, le Secrétariat du Conseil du Trésor a donné aux ministères et aux organismes une orientation et un appui plus soutenus pour améliorer la prestation des services. Toutefois, il n'a pas surveillé systématiquement les progrès dans l'ensemble du gouvernement, et l'information qu'il a communiquée au Parlement n'a pas permis de bien comprendre les progrès accomplis en vue d'améliorer la qualité du service fourni aux Canadiens.

La réponse que fait le Secrétariat du Conseil du Trésor au nom du gouvernement est présentée à la fin du chapitre. Le Secrétariat précise que la nouvelle présentation des pages bleues sera intégrée dans les annuaires téléphoniques selon les calendriers de publication établis. Il marque son accord avec nos recommandations portant sur les systèmes de mesure, la satisfaction du client et la communication de l'information. Il indique qu'il collabore avec les ministères en vue d'élaborer une stratégie pour promouvoir l'amélioration continue de la prestation des services dans l'ensemble de l'administration fédérale.

Chapitre 1 – Points saillants

1.1 Notre vérification avait pour objet de déterminer si le gouvernement fédéral a fourni un service de meilleure qualité aux Canadiens après dix ans d'engagements et d'initiatives de toutes sortes pour l'améliorer. En 1996, nous avons fait une évaluation à mi-parcours des progrès du gouvernement. Dans la présente vérification, nous avons passé en revue les 13 mêmes gammes de services fournis par dix ministères et organismes gouvernementaux.

1.2 L'amélioration la plus marquée depuis 1996 est la plus grande accessibilité des services téléphoniques. Lorsqu'on répond à leurs appels, les Canadiens obtiennent maintenant plus rapidement une réponse à leurs demandes de renseignements. Cependant, malgré cette amélioration, nous nous inquiétons de la proportion élevée d'appels qui restent sans réponse lorsque les lignes sont occupées ou que les personnes qui attendent pour parler à un agent abandonnent l'appel. À l'Agence des douanes et du revenu du Canada (Impôt), le pourcentage d'appels restés sans réponse demeure élevé à 54 p. 100, bien qu'il constitue une amélioration par rapport à 1996 où il était de 73 p. 100.

1.3 Pour la plupart des services fournis autrement que par téléphone, comme le service au comptoir, l'information sur le rendement était insuffisante et nous ne pouvions pas établir si le service s'était amélioré. Le Bureau des passeports a mesuré certains de ses principaux résultats et a grandement amélioré son rendement. De nombreux ministères et organismes ont pris des initiatives depuis 1996 pour améliorer le service, mais ils n'ont pas suffisamment mesuré les résultats.

1.4 Les ministères et organismes doivent davantage consulter leurs clients pour définir les aspects du service qui sont les plus importants pour eux, de même que la qualité du service attendue. Cette information aiderait les fournisseurs de service à établir des objectifs et des indicateurs appropriés pour mesurer le rendement.

1.5 Depuis 1996, la communication avec les clients s'est améliorée aux points de service. Les Canadiens qui se rendent à ces bureaux sont mieux informés sur le niveau de service auquel ils sont en droit de s'attendre. Toutefois, on doit mieux les informer au sujet du coût des services, de l'atteinte des objectifs et de la manière de déposer et de régler une plainte.

Contexte et autres observations

1.6 La demande de services au gouvernement fédéral par les Canadiens — qu'il s'agisse par exemple de renseignements sur la citoyenneté et l'immigration, la Sécurité de la vieillesse et les passeports ou d'information météorologique ou statistique — s'est accrue considérablement depuis 1996. Les volumes de service sont plus élevés dans dix des 13 gammes de services que nous avons vérifiées. En même temps, l'environnement de la prestation des services se transforme continuellement grâce aux progrès rapides des technologies de l'information et à l'utilisation croissante des nouveaux modes de prestation des services.

1.7 Les services téléphoniques sont de plus en plus utilisés alors que l'on constate une baisse de l'utilisation des services au comptoir. Dans les services téléphoniques gouvernementaux que nous avons vérifiés, le volume de demandes de renseignements téléphoniques était monté en flèche, passant de 36 millions en 1996 à 56 millions en 1999, soit une hausse de 54 p. 100. Le nombre de demandes écrites de renseignements (courrier, télécopieur et courriel), bien qu'il reste important pour certaines gammes de services, affiche, en général, un recul marqué.

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Points saillants

Possibilités d'économies

Améliorer l'efficience et l'efficacité des activités gouvernementales et cultiver un juste souci de l'économie sont des objectifs essentiels de notre mandat et des travaux que nous effectuons au Bureau. Dans la plupart des cas, il n'est pas facile de quantifier l'incidence de nos travaux, mais il arrive souvent que, au cours de nos vérifications, nous trouvions des possibilités d'économies auxquelles on peut mettre un prix. Voici quelques exemples tirés des rapports de vérification de cette année :

La gestion des soins de santé offerts aux Premières nations. Dans une vérification effectuée en 1997 des programmes de santé assurés aux collectivités des Premières nations, nous avions constaté la nécessité d'instaurer un système de traitement aux points de service pour contrôler l'administration des prestations. Nous avions également recommandé que Santé Canada prenne les mesures qui s'imposaient pour améliorer les contrôles et les vérifications du système de traitement des remboursements. Au cours d'un suivi effectué cette année, nous avons constaté que l'identification et le rejet des demandes inappropriées avaient permis d'économiser 8,4 millions de dollars en 1999, mais que d'autres améliorations étaient toujours possibles.

Non-recouvrement des dépenses par Affaires indiennes et du Nord Canada. Le Ministère a dépensé environ 151 millions depuis 1997 pour assurer l'approvisionnement continu en eau potable des collectivités Cris touchées par des projets d'aménagement hydroélectrique de Manitoba Hydro. Aux termes d'une convention signée en 1997, Manitoba Hydro est tenue de rembourser au Ministère 50 p. 100 des dépenses attribuables aux effets négatifs des projets d'aménagement hydroélectrique. Nous avons noté dans le chapitre 17 que le Ministère n'avait recouvré aucune somme jusqu'à maintenant.

Frais de service de la dette. Afin de limiter les effets des augmentations imprévues des taux d'intérêt, le gouvernement a augmenté la proportion de titres à taux fixe de la dette totale fédérale de 55 p. 100 en 1995 à 67 p. 100 en 1998, proportion qui est toujours la même aujourd'hui. Dans le chapitre 8, nous avons recommandé que le gouvernement revoie son objectif concernant la structure de la dette pour déterminer si, à la lumière de la nouvelle situation financière, il demeure valable. Nous avons indiqué dans le chapitre que si l'on se fonde sur les différences historiques entre les taux à court et à long termes, une variation de 5 p. 100 de la part des titres à taux fixe par rapport aux titres à taux flottant pourrait produire une économie annuelle d'environ 250 millions de dollars.

Pour en savoir davantage, voir les publications suivantes du BVG : Ministère des Finances —La gestion de la dette du Canada : les nouveaux défis à relever, chapitre 8; Santé Canada —La santé des Premières nations : suivi, chapitre 15; Autres observations de vérification, chapitre 17 du Rapport de 2000.

Les programmes fédéraux de réglementation relatifs à la santé et à la sécurité posent des défis de taille

Les programmes fédéraux de réglementation relatifs à la santé et à la sécurité portent sur des questions qui vont de l'inspection des aliments à la réglementation de l'énergie nucléaire, en passant par la pollution de l'environnement et la sécurité aérienne. Ils visent essentiellement à protéger les Canadiens des risques liés à la santé et à la sécurité. Cette tâche devient de plus en plus complexe et exige par conséquent une stratégie tout aussi sophistiquée.

Les programmes fédéraux de réglementation relatifs à la santé et à la sécurité ont fait l'objet de changements profonds au cours de la dernière décennie. Ils ont été restructurés de manière à rationaliser la prestation des services. Au lieu d'une réglementation directe (conçue et imposée par le gouvernement), on fait désormais davantage confiance aux normes élaborées par des tiers, comme les codes volontaires de l'industrie. Le financement des programmes a également été réduit, mais il a été en partie réinstauré récemment.

Certains de ces changements ont eu une incidence négative sur la confiance du public dans l'efficacité et la crédibilité de ces programmes de réglementation. Restaurer la confiance du public est l'un des défis majeurs auxquels les responsables de ces programmes sont confrontés aujourd'hui. Parmi les autres défis, on note un risque important de contestations judiciaires pour négligence dans la réglementation, découlant des décisions des tribunaux au cours de la dernière décennie; la nécessité de coordonner les activités entre les ministères et les administrations, car de nombreuses questions de santé et de sécurité transcendent les mandats des ministères et les frontières politiques; et la nécessité de recruter du personnel spécialisé sur une vaste échelle, étant donné la forte proportion des employés qui seront bientôt admissibles à la retraite.

Dans le chapitre 24 du Rapport, nous présentons un certain nombre de recommandations qui peuvent aider le gouvernement à relever ces défis.

Pour en savoir davantage, voir les publications suivantes du BVG : Les programmes fédéraux de réglementation relatifs à la santé et à la sécurité, chapitre 24 du Rapport de 2000; Agence canadienne d'inspection des aliments — Les programmes d'inspection des aliments, chapitre 25 du Rapport de 2000; Santé Canada —Le régime de réglementation des produits biologiques, chapitre 26 du Rapport de 2000; Commission canadienne de sûreté nucléaire —La réglementation des centrales nucléaires, chapitre 27 du Rapport de 2000; Suivi de recommandations antérieures sur des programmes de réglementation relatifs à la santé et à la sécurité; chapitre 28 du Rapport de 2000.

La régie des sociétés d'État pourrait être meilleure

La régie des institutions a trait aux processus et aux structures pour surveiller la direction et la gestion d'une société de sorte qu'elle s'acquitte de son mandat et de ses objectifs efficacement. Il est essentiel qu'une société d'État soit bien régie pour que l'argent des contribuables soit bien dépensé. En nous fondant sur notre expérience générale de la vérification de sociétés d'État et sur notre examen plus spécifique de 15 sociétés, nous avons relevé des lacunes dans 3 secteurs qui ont une importance pour la régie des sociétés d'État.

Premièrement, les conseils d'administration doivent être renforcés. À l'heure actuelle, ils ne possèdent pas les compétences ni les capacités essentielles pour surveiller de façon efficace la gestion des sociétés d'État. Les sociétés doivent mieux définir leurs exigences à ce chapitre et le gouvernement doit y donner suite. Les conseils d'administration doivent également participer de façon plus active à la sélection du premier dirigeant de la société. Sans une participation significative du conseil à ce processus, la reddition de comptes du premier dirigeant au conseil est affaiblie et c'est la régie dans son ensemble qui en souffre.

Deuxièmement, les comités de vérification des conseils d'administration des sociétés d'État, souvent, ne suivent pas les meilleures pratiques reconnues. Le comité de vérification joue un rôle essentiel dans la communication de l'information financière, la gestion des risques et le contrôle interne. Parmi les comités que nous avons examinés, la moitié ont été jugés inefficaces ou à peine efficaces.

Enfin, la capacité du gouvernement d'effectuer un examen critique des plans d'entreprise des sociétés est limitée. Le gouvernement doit renforcer cette capacité, puisque c'est à partir de ces plans qu'il tient les sociétés d'État responsables de leur respect de la politique gouvernementale et de leur rendement global.

Pour en savoir davantage, voir les publications suivantes du BVG : La régie des sociétés d'État, chapitre 18 du Rapport de 2000; Les Sociétés d'État : S'acquitter des responsabilités en matière d'intendance, chapitre 10 du Rapport de 1995.

L'information communiquée sur le rendement s'est améliorée, mais les progrès sont lents

Dans le chapitre 19 du présent Rapport, nous examinons l'information communiquée au Parlement sur le rendement des ministères. Il y a eu une certaine amélioration depuis notre vérification de 1997, mais je suis déçu de la lenteur des progrès. Les rapports sur le rendement d'aujourd'hui offrent une meilleure information que celle dont disposaient les parlementaires dans les anciennes parties III du *Budget des dépenses*, mais ils font toujours trop le compte rendu des activités plutôt que de décrire les résultats obtenus par rapport aux résultats escomptés. Trop souvent, les résultats escomptés sont exprimés vaguement et le compte rendu du rendement ne fait aucun lien entre les réalisations et les avantages à long terme pour les Canadiens.

Les députés et le public ont besoin d'une information sur le rendement de bonne qualité pour pouvoir tenir le gouvernement responsable. Les parlementaires ont besoin de cette information pour étudier en comités les programmes ministériels et examiner le processus budgétaire. Les parlementaires pourraient envisager de légiférer pour être certains d'obtenir cette information. Des changements au mécanisme de rapport s'imposent également. Il faut une entente sur les principes de rapport, plus d'incitatifs à la communication d'une information de bonne qualité et une surveillance et un examen critique plus rigoureux de la part du Secrétariat du Conseil du Trésor. Les ministères ont également besoin d'information sur le rendement pour améliorer leurs programmes et leurs services.

Je suis heureux de constater que la focalisation sur les résultats semble maintenant imprégner la philosophie de gestion des ministères et la communication de l'information sur le rendement. Mais une mise en oeuvre efficace exige que les prochaines étapes — la mesure des résultats, l'utilisation de cette information pour améliorer les programmes et la communication au Parlement d'une information crédible sur les résultats — soient franchies sans plus tarder.

Pour en savoir davantage, voir les publications suivantes du BVG : L'information sur le rendement communiquée au Parlement : les progrès sont trop lents, chapitre 19 du Rapport de 2000; La gestion ministérielle axée sur les résultats et la gestion des questions horizontales axée sur les résultats, chapitre 20 du Rapport de 2000; La communication de l'information sur le rendement dans le Système de gestion des dépenses, chapitre 5 du Rapport de 1997.

Le système d'éducation des enfants indiens vivant dans les réserves ne réussit pas à répondre à leurs besoins

En avril de cette année, nous avons rendu compte de notre vérification de l'enseignement primaire et secondaire donné aux enfants indiens qui vivent dans les réserves. Affaires indiennes et du Nord Canada (MAINC) attribue environ un milliard de dollars par année à cette fin, outre le financement de la construction et de l'entretien des écoles.

La vérification a révélé des lacunes graves en matière de scolarisation des étudiants des Premières nations par rapport à celle des autres Canadiens. Le taux de décrochage de ces étudiants avant la neuvième année est six fois plus élevé que celui de la population canadienne en général. La proportion de la population vivant dans les réserves et qui possède un diplôme d'études secondaires est beaucoup moins élevée que dans la population en général. De plus, il n'est pas certain que l'éducation reçue par les enfants indiens réponde à leurs besoins culturels.

Ces faibles résultats reflètent les lacunes de longue date des programmes d'éducation financés par le MAINC. Tout d'abord, le Ministère n'a pas défini son rôle en matière d'éducation. La définition de ce rôle est essentielle tant aux fins de la reddition de comptes que pour permettre au Ministère de savoir si ses capacités et ressources actuelles sont suffisantes pour remplir ce rôle.

Le Ministère doit aussi régler plusieurs questions opérationnelles importantes, notamment la façon dont les fonds d'éducation sont administrés. À la suite du transfert des responsabilités à l'égard des programmes et de la délégation des pouvoirs, le Ministère en est venu à se fier aux Premières nations et aux provinces pour la prestation des services d'éducation. Le Ministère doit prendre les mesures nécessaires pour garantir que ces services — qu'il finance — sont efficients et efficaces.

Répondre aux besoins d'éducation des enfants indiens est urgent. En l'absence de progrès satisfaisants, les coûts financiers des programmes sociaux seront élevés, la perte de capital humain augmentera et les relations entre le gouvernement et les membres des Premières nations se détérioreront.

Pour en savoir davantage, voir la publication suivante du BVG : Affaires indiennes et du Nord Canada — L'enseignement primaire et secondaire, chapitre 4 du Rapport de 2000.

Annexe : Autres questions

Les réformes de la gestion des ressources humaines n'ont pas répondu aux attentes

La gestion publique au Canada a évolué considérablement au cours de la dernière décennie, s'attachant moins aux contrôles détaillés au niveau central pour mettre davantage l'accent sur les résultats. Dans le cadre de ce changement, les ministères et leurs employés se sont vu accorder de plus vastes pouvoirs et une plus grande discrétion pour trouver des façons innovatrices d'atteindre les objectifs. Ces changements ont mis en lumière l'importance d'améliorer la gestion des employés du gouvernement en vue d'obtenir les résultats souhaités. Comme je l'ai souligné à maintes occasions, le succès dans ce domaine est essentiel à la réussite de la réforme globale de la fonction publique, car ce sont des personnes qui doivent mettre en oeuvre les réformes, assurer les services et faire des commentaires afin d'améliorer le rendement.

Malgré d'importantes initiatives au cours des années 1990, les réformes de la gestion des ressources humaines n'ont pas répondu aux attentes. En outre, il est devenu plus urgent de relever ces défis. L'une des raisons de cette urgence est que les mesures prises pour faire face aux conditions financières difficiles ont exacerbé les conflits de travail et amené de nombreux fonctionnaires à se demander s'il était sage de faire carrière dans la fonction publique. Une autre raison est que la fonction publique est confrontée à des préoccupations nouvelles ou accrues. Parmi celles-ci, on compte la forte augmentation imminente des départs à la retraite, qui laisse présager une crise de leadership, et la concurrence accrue livrée par les autres employeurs à l'égard des « travailleurs du savoir ».

Il faut une véritable percée dans la gestion des ressources humaines pour que la fonction publique puisse relever les défis qui se posent à elle. Pour faire cette percée, il est essentiel de régler trois problèmes qui persistent depuis longtemps. Le cadre administratif qui régit la fonction publique est lourd, coûteux et mal adapté aux exigences de la gestion moderne. La responsabilité est fragmentée au point où le leadership est absent et où la reddition de comptes à l'égard des réformes est peu claire. De plus, l'augmentation de l'autonomie des ministères exige des changements importants dans les rôles joués par les gestionnaires des ministères. Les sous-ministres, vus traditionnellement comme les premiers responsables de l'administration d'un cadre prescrit au niveau central, doivent plutôt assumer une responsabilité cruciale quant à la façon dont leurs ressources humaines sont gérées et au maintien d'un milieu de travail sain dans leurs ministères.

Pour en savoir davantage, voir les publications suivantes du BVG : La rationalisation du régime de gestion des ressources humaines : une étude de l'évolution des rôles et des responsabilités, chapitre 9 du Rapport de 2000; Le Programme de recrutement post-secondaire de la fonction publique fédérale, chapitre 21 du Rapport de 2000; L'élaboration de la Norme générale de classification : suivi, chapitre 22 du Rapport de 2000.

Les capacités de gestion financière des ministères sont insuffisantes par rapport aux besoins

Encourager une meilleure gestion financière au gouvernement est pour mon bureau une priorité stratégique de longue date. C'est dans cette optique que nous avons publié, en avril 1999, le Modèle de la capacité de gestion financière, cadre qui décrit les éléments essentiels de la gestion financière dans les ministères et les organismes du gouvernement. Le Modèle énonce les attentes du Bureau en matière de gestion financière et servira de référence pour la réalisation des prochaines vérifications dans ce domaine.

Dans le chapitre 13 du Rapport de cette année, nous présentons les résultats d'une vérification des capacités de gestion financière de cinq ministères. Nous avons constaté qu'aucun de ces ministères ne satisfaisait aux exigences des importantes initiatives gouvernementales en cours, comme la modernisation de la fonction de contrôleur et la Stratégie d'information financière. Ces initiatives visent à moderniser la façon dont le gouvernement gère ses ressources, en renforçant les contrôles internes et en fournissant de l'information de meilleure qualité pour appuyer la planification, la prise de décisions et la communication de l'information.

L'une des faiblesses les plus courantes que nous avons constatée est la capacité limitée d'intégrer l'information financière et non financière. Sans information intégrée, les gestionnaires des ministères ne peuvent déterminer avec exactitude combien il en coûte pour produire un résultat donné ou assurer un service d'un niveau donné. Ils ont besoin de ce genre d'information pour prendre de bonnes décisions, gérer les risques adéquatement et rendre dûment compte de l'utilisation des ressources.

Il sera difficile de moderniser les activités gouvernementales sans de solides capacités de gestion financière. L'établissement de ces capacités dans l'ensemble du gouvernement exigera l'aide soutenue et les efforts concertés du Secrétariat du Conseil du Trésor, du Bureau du Conseil privé et des sous-ministres. Comme ces importantes initiatives gouvernementales dépendent de capacités qui n'existent pas actuellement, il n'y a pas de temps à perdre.

Pour en savoir davantage, voir les publications suivantes du BVG : L'évaluation des capacités de gestion financière des ministères, chapitre 13 du Rapport de 2000; Le Modèle de la capacité de gestion financière, avril 1999; La Stratégie d'information financière : l'état de préparation des ministères, chapitre 21 du Rapport de 1999; La Stratégie d'information financière : un outil essentiel pour repenser le rôle de l'État, chapitre 18 du Rapport de 1998.

tout en continuant de mettre l'accent sur les résultats qui comptent pour les Canadiens. Un tel cadre, renforcé par des incitatifs, des valeurs et une éthique appropriés, peut aider à rendre le gouvernement à la fois frugal et efficace.

L'économie canadienne se trouve sur une trajectoire fortement ascendante depuis les dernières années, et les coffres du gouvernement débordent. La prospérité ne suscite généralement pas des efforts intensifs pour faire preuve d'économie et d'efficience. Il importe donc que les parlementaires et le public demeurent vigilants et insistent pour que les dépenses publiques interviennent dans un cadre qui respecte la suprématie du Parlement et favorise l'optimisation des dollars des contribuables.

trop au blâme peut être contre-productif. Si nous voulons habiliter les employés et les encourager à innover, il faut être prêt à courir le risque qu'ils commettent des erreurs et qu'ils prennent parfois de mauvaises décisions. Quand cela se produit, il faut plutôt chercher à apprendre de l'expérience plutôt qu'à blâmer.

- Le Parlement et le public devraient encourager le gouvernement à faire preuve de plus d'ouverture et de transparence. De l'information claire et actuelle sur l'argent dépensé, sur son utilisation et sur les résultats obtenus permet à ceux qui sont à l'extérieur de l'organisation de surveiller le débours des fonds pour vérifier s'il est bien conforme aux intentions de la politique et s'il est effectué avec probité et prudence. Le fait de savoir que leurs activités sont visibles encourage les fonctionnaires et leurs maîtres politiques à afficher un comportement qui peut résister à un examen. **Globalement, une transparence et une reddition de comptes améliorées créent des institutions plus fortes et un gouvernement plus efficace.**

Une transparence et une reddition de comptes améliorées créent des institutions plus fortes et un gouvernement plus efficace.

Pour en savoir davantage, voir les publications suivantes du BVG : Portefeuille de l'Agriculture —Les frais d'utilisation, chapitre 11 du Rapport de 1999; Le ministère des Finances et Revenu Canada —Encouragements fiscaux à la recherche et au développement, chapitre 32 du Rapport de 1994; L'organisation évolutive, chapitre 5 du Rapport de 1992.

Conclusion

La dernière décennie a été marquée par un fort mouvement vers une vision moins bureaucratique et plus souple de la gestion dans le secteur public fédéral. L'assouplissement des contrôles au niveau central, le pouvoir discrétionnaire accru accordé aux gestionnaires, l'accent mis sur les résultats par rapport au processus — ce sont tous des éléments de cette tendance. C'est une tendance que je préconise et appuie fortement, mais elle a son revers. Comme le portent à croire certaines pratiques de dépenses laxistes rendues publiques récemment, quand les contrôles sont réduits et qu'un plus grand pouvoir discrétionnaire est accordé, on court le risque que ce pouvoir soit mal utilisé et que les choses tournent mal.

Pour réduire ce risque au minimum, il faut certains principes fondamentaux pour accompagner la délégation des pouvoirs afin de guider les décisions de dépenses et d'établir des limites appropriées à l'utilisation du pouvoir discrétionnaire. En termes généraux, ces principes exigent que l'on agisse dans le cadre des pouvoirs octroyés et que l'on fasse preuve de prudence,

Malheureusement, avec l'élimination du déficit il y a trois ans, le gouvernement a adopté comme pratique d'annoncer de nouvelles dépenses importantes vers la fin de l'exercice, de manière à réduire l'excédent prévu à un niveau ne dépassant pas la « réserve pour éventualités » de trois milliards de dollars incluse dans les prévisions budgétaires. En raison de cette pratique, en grande partie, les dépenses cumulatives dépassant les prévisions budgétaires ont totalisé 10,5 milliards au cours des 3 dernières années.

Des incitatifs mal structurés semblent également avoir joué un rôle dans la mauvaise gestion des programmes de création d'emplois à DRHC. Selon des témoignages devant le Comité permanent du développement des ressources humaines et de la condition des personnes handicapées, des pressions étaient souvent exercées sur les employés de première ligne de DRHC pour qu'ils approuvent rapidement les projets et dépensent les fonds disponibles. Il se peut que les employés qui faisaient preuve de prudence aient été mal évalués parce qu'ils n'avaient pas octroyé suffisamment de fonds.

Des erreurs peuvent se produire dans toute organisation. Quand elles se produisent dans le secteur privé, il existe de forts incitatifs pour les corriger rapidement et aller de l'avant : les marchés financiers et les résultats sont des moteurs puissants.

On a parfois tendance, au gouvernement, à avancer à pas prudents quand il s'agit de déceler les erreurs et à réagir lentement lorsqu'on en trouve.

Dans le secteur public, corriger les erreurs paraît souvent moins pressant. Pour les corriger, il faut tout d'abord les reconnaître. Mais quels avantages les ministres et la haute direction ont-ils à reconnaître une erreur? Les conséquences peuvent souvent être graves. Par ailleurs, il suffit de camoufler l'erreur et la vie continue : personne n'écope sauf les contribuables. On a donc parfois tendance, au gouvernement, à avancer à pas prudents quand il s'agit de déceler les erreurs et à réagir lentement lorsqu'on en trouve.

Un certain nombre de leçons se dégagent de cette expérience :

- Les fonctionnaires doivent faire preuve de courage pour faire connaître les erreurs et les abus administratifs. Quand ils le font, ils méritent d'être protégés des châtiments que pourraient leur imposer leurs maîtres bureaucratiques ou politiques en raison des ennuis qu'ils pourraient avoir causés. Comme l'a conclu le Groupe de travail sur les valeurs et l'éthique dans la fonction publique, il faut des mécanismes adéquats pour permettre aux fonctionnaires d'exprimer leur dissension et de soulever des préoccupations d'ordre éthique sans en souffrir.
- La reddition de comptes exige que les gens acceptent d'assumer la responsabilité de leurs erreurs — cela va de soi. Par ailleurs, s'attacher

Il faut utiliser les incitatifs à bon escient

Un engagement ferme envers les valeurs qu'imposent professionnalisme, intégrité et service réduit le risque que les titulaires de fonction ne se comportent pas bien ou abusent du pouvoir que leur confèrent leurs fonctions. Mais la vertu à elle seule ne suffit pas pour donner de bons résultats. Comme l'a fait observer l'économiste britannique réputé Alfred Marshall, [traduction] « le progrès dépend essentiellement de la mesure dans laquelle les sentiments *les plus forts,* et non seulement les sentiments *les plus élevés* de la nature humaine, peuvent être utilisés au profit du bien commun ». L'altruiste est plus charitable que l'avare, mais tous deux peuvent être enclins à moins donner si le coût de la charité augmente (par exemple, si l'on réduit la subvention fiscale au titre des dons de bienfaisance). Les incitatifs comptent. Comment les mettre à profit dans l'administration publique est une question de toute première importance. Il est regrettable qu'elle n'ait pas toujours reçu l'attention qu'elle méritait.

Tant le bâton que la carotte doivent être utilisés. Un abus délibéré de pouvoirs doit entraîner des mesures correctives appropriées. Un bon rendement — un rendement supérieur aux attentes — doit être récompensé comme il se doit. Les possibilités d'associer des récompenses au rendement ne sont peut-être pas aussi courantes dans le secteur public que dans le secteur privé, mais elles existent. Les primes, les promotions et les réaffectations sont quelques-uns des moyens disponibles. Les programmes de reconnaissance publique pour la qualité du travail ou la reconnaissance des collègues peuvent également inciter davantage à l'amélioration du rendement et sont souvent plus faciles à mettre en oeuvre que les programmes d'incitatifs monétaires.

La question du choix de bons incitatifs va au-delà des récompenses et des sanctions individuelles et s'étend aux règles plus vastes en vigueur au gouvernement.

La question du choix de bons incitatifs va au-delà des récompenses et des sanctions individuelles et s'étend aux règles plus vastes en vigueur au gouvernement. Pour illustrer cela, mentionnons que jusqu'en 1993, toutes les économies réalisées par les ministères — toutes les sommes non dépensées à la fin de l'exercice — retournaient dans les coffres du gouvernement. Avec un tel système, quel incitatif avait-on d'économiser? En 1993, le processus d'octroi des crédits a été modifié pour permettre aux ministères de reporter une partie des fonds non dépensés à l'exercice suivant. Depuis ce changement, la forte augmentation des dépenses en fin d'exercice dans les ministères est moins courante qu'elle ne l'était.

gouvernement. Pour que les principes soient crédibles, il est essentiel que les dirigeants donnent l'exemple dans toute la fonction publique.

Le gouvernement dit aux fonctionnaires que l'éthique suppose « l'engagement de faire la bonne chose ». Il leur conseille également de tenir compte, dans leur action, de leur obligation ou de leur pouvoir d'agir, de choisir la meilleure option et d'assumer la responsabilité des actes posés. Pour aider les fonctionnaires à suivre ce conseil, le gouvernement doit clarifier les responsabilités des ministres et des hauts fonctionnaires, de sorte que l'on comprenne mieux qui est responsable de quoi.

Le gouvernement est confronté à plusieurs défis de taille dans ses efforts pour préserver l'éthique et des valeurs saines dans la fonction publique.

Il faut aussi que les fonctionnaires aient des moyens efficaces d'intervenir de bonne foi et d'exprimer leurs préoccupations en matière d'éthique. Les fonctionnaires ne devraient pas se trouver dans la situation où ils croient que leur seul recours est d'exprimer leurs préoccupations publiquement. Il devrait être possible de régler efficacement les préoccupations en matière d'éthique au sein de l'organisation. Pour cela, il faut des mécanismes de recours clairs et dignes de confiance.

Enfin, les organisations et les personnes qui font affaire avec le gouvernement ou qui reçoivent des fonds du gouvernement ont un rôle d'appui à jouer. Ils doivent comprendre que l'on s'attend à ce qu'ils respectent eux aussi les valeurs et l'éthique qui sous-tendent une administration publique saine. Le gouvernement doit veiller à fournir des directives appropriées à cet égard.

Une solide assise de valeurs saines et de règles d'éthique est un aspect essentiel d'une bonne régie. Cette assise mérite un appui plus vigoureux et systématique que celui dont elle a bénéficié jusqu'à maintenant. Le gouvernement doit manifester une plus grande détermination à cet égard, établir un plan qui traite de l'ensemble de la question et agir résolument pour le mettre en oeuvre.

Pour en savoir davantage, voir les publications suivantes du BVG : Les valeurs et l'éthique dans le secteur public fédéral, chapitre 12 du Rapport de 2000, Défense nationale —La conduite appropriée des affaires publiques, chapitre 26 du Rapport de 1999; Revenu Canada —Promouvoir l'intégrité au sein du Ministère, chapitre 15 du Rapport de 1998; La sensibilisation à l'éthique et à la fraude au gouvernement, chapitre 1 du Rapport de 1995.

Une solide assise au chapitre des valeurs et de l'éthique peut favoriser une gestion prudente des dépenses

Le gouvernement se fie de plus en plus aux valeurs et à l'éthique, plutôt qu'aux contrôles prescriptifs, pour assurer la probité et la prudence dans la fonction publique. Une solide assise au chapitre des valeurs et de l'éthique favorise le bon jugement dans les décisions en matière de dépenses et d'exécution des programmes. Il existe actuellement une telle assise dans la fonction publique fédérale, mais il ne faut pas la tenir pour acquise.

Comme nous l'avons indiqué dans le chapitre 12 du Rapport de cette année, les importants changements apportés dans le gouvernement, comme l'assouplissement des contrôles au niveau central et la délégation accrue des pouvoirs décisionnels, pourraient miner l'assise solide de valeurs et de règles d'éthique qui existe actuellement. Nous avons proposé un cadre pour aider à maintenir cette assise. Ce cadre met l'accent sur le leadership, la transparence de la prise de décisions et la prestation de conseils et de cours de formation aux fonctionnaires (voir la pièce 2).

Pièce 2 – Éléments d'un cadre d'éthique

- Énoncé de principes.
- Leadership des ministres et des hauts fonctionnaires.
- Habilitation des fonctionnaires pour qu'ils puissent exécuter leurs fonctions dans l'intérêt public.
- Transparence accrue de la prise de décisions.
- Formation liée à l'éthique.
- Mécanismes efficaces et dignes de confiance pour exprimer les préoccupations en matière d'éthique.

Source : Rapports du vérificateur général du Canada, 1995 et 2000.

Ces dernières années, le gouvernement a pris plusieurs mesures importantes pour maintenir une solide assise au chapitre des valeurs et de l'éthique dans la fonction publique fédérale. Le Rapport de 1996 du Groupe de travail sur les valeurs et l'éthique dans la fonction publique (Rapport Tait) a contribué à établir un consensus sur l'état actuel des valeurs et de l'éthique dans la fonction publique fédérale et sur les mesures à prendre. De plus, le gouvernement s'efforce de revitaliser la discussion sur ce sujet. Un certain nombre de ministères sont en train de mettre en oeuvre des programmes d'envergure de valeurs et d'éthique. Cependant, la majeure partie des travaux pour mettre en oeuvre les réformes nécessaires dans ce domaine n'en sont qu'au stade préliminaire.

Le gouvernement est confronté à plusieurs défis de taille dans ses efforts pour préserver l'éthique et des valeurs saines dans la fonction publique. Un ensemble de principes pour guider la fonction publique doit être établi, mais il ne peut être imposé. Il doit être établi avec la pleine participation des membres de la fonction publique et des parties qui font affaire avec le

postdéficitaire actuel, la discipline budgétaire peut paraître moins nécessaire. Cependant, le besoin d'effectuer un examen continu des programmes gouvernementaux demeure, car il faut toujours s'assurer qu'ils continuent à répondre à une fin utile d'intérêt public, qu'ils demeurent efficients et efficaces et qu'ils sont à la mesure de nos moyens.

Pour en savoir davantage, voir les publications suivantes du BVG : L'évaluation au gouvernement fédéral, chapitre 3 du Rapport de 1996; L'évaluation de programme au gouvernement fédéral — Plaidoyer en faveur de l'évaluation de programme, chapitre 8 du Rapport de 1993; L'évaluation de programme dans les ministères — Le fonctionnement des services d'évaluation de programme, chapitre 9 du Rapport de 1993; Le système d'évaluation de programme — Les gages de succès, chapitre 10 du Rapport de 1993.

Les récentes prises de position du gouvernement sur les pratiques de dépenses sont louables, mais l'essentiel est d'y donner suite

L'engagement clair du gouvernement d'effectuer des « dépenses judicieuses » énoncé dans la publication du Conseil du Trésor *Des résultats pour les Canadiens et les Canadiennes — Un cadre de gestion pour le gouvernement du Canada*, diffusée plus tôt cette année, est encourageant. Des parties précises de cet engagement coïncident avec plusieurs des conditions préalables à une saine gestion des dépenses publiques dont je viens de parler, y compris l'accent mis sur les résultats, un environnement de contrôle adéquat et l'examen continu des dépenses pour faire en sorte que les contribuables en aient pour leur argent.

La version révisée de la politique sur les paiements de transfert annoncée en mai dernier par la Présidente du Conseil du Trésor est un autre pas dans la bonne direction. Les éléments clés de cette nouvelle politique — soit des critères d'admissibilité clairs, une diligence raisonnable dans le choix et l'approbation des bénéficiaires et des paiements, un cadre de reddition de comptes axé sur les résultats, l'amélioration des rapports au Parlement, la surveillance et l'évaluation continues — sont conformes aux recommandations que nous avons faites dans des rapports précédents de vérification des programmes de subventions et de contributions. Si elle est bien mise en oeuvre, la politique révisée devrait assurer une bien meilleure gestion des paiements de transfert gouvernementaux.

Une mise en oeuvre efficace est évidemment essentielle. Dans le reste du chapitre, j'examine la façon dont un cadre solide de valeurs et d'éthique et des incitatifs appropriés peuvent aider à passer des principes à la pratique.

Les programmes gouvernementaux de dépenses devraient toujours avoir leur raison d'être

Les ressources dont dispose le gouvernement évoluent au fil du temps, tout comme les besoins et les préférences du public. Pour s'assurer que les dépenses publiques servent aux fins qui sont jugées les plus utiles, le gouvernement doit évaluer régulièrement ses programmes et déterminer s'ils sont toujours pertinents, efficaces et efficients. Les questions auxquelles les évaluations doivent répondre sont les suivantes :

- Le programme répond-il toujours à une fin d'intérêt public clairement définie qui compte pour les Canadiens?
- Établirions-nous ce programme aujourd'hui s'il n'existait pas?
- Est-il souhaitable de le maintenir au niveau actuel?
- Peut-il être assuré plus efficacement ou de façon plus efficiente? A-t-on apporté des changements (infrastructure de l'environnement de service, technologies, etc.) depuis la création du programme qui permettraient maintenant d'atteindre ses objectifs de façon plus économique, efficiente ou efficace?

Ces questions sont semblables à celles que l'on s'est posées au cours de l'Examen des programmes effectué par le gouvernement et qui a précédé les mesures de réduction du déficit annoncées dans le Budget de février 1995.

L'évaluation systématique et continue des programmes est un aspect essentiel d'une bonne gestion du secteur public.

Le gouvernement soutient que l'Examen des programmes a permis d'établir les priorités qui devraient être retenues et de déterminer où les compressions des dépenses devraient être effectuées avec le moins de conséquences négatives pour le système et pour les Canadiens. Ce sont précisément les fins auxquelles sert l'évaluation de programme. Mais les évaluations de programme ne devraient pas être sporadiques ni découler d'une crise financière. L'évaluation systématique et continue des programmes est un aspect essentiel d'une bonne gestion du secteur public.

Les déficits élevés et la nécessité de les surveiller étroitement ont vivement incité le gouvernement, au cours des années 1990, à examiner minutieusement ses programmes pour trouver des possibilités d'économiser et à évaluer avec soin les nouvelles propositions de dépenses. De fait, le Système de gestion des dépenses du gouvernement, annoncé au début de 1995, prévoyait que toutes les nouvelles dépenses devaient être financées par des réaffectations de fonds de programmes existants. Dans le contexte

- mesurer les résultats et utiliser cette information pour améliorer la conception et le fonctionnement du programme;

- communiquer efficacement l'information sur le rendement, c'est-à-dire de manière à ce que le Parlement et les parties intéressées puissent juger des résultats du programme.

L'établissement, dès le départ, d'objectifs et d'indicateurs de rendement clairs, et la surveillance et la communication régulières des résultats sont utiles à plusieurs points de vue. De tels objectifs et indicateurs favorisent l'amélioration du programme en aidant la direction à savoir s'il fonctionne bien. Ils augmentent la capacité du Parlement à tenir le gouvernement responsable de l'utilisation des fonds publics. Ils suscitent également la confiance du public envers le gouvernement, en permettant au public de savoir ce qu'il obtient en contrepartie des impôts versés et de savoir si les ressources sont optimisées.

L'établissement, dès le départ, d'objectifs et d'indicateurs de rendement clairs, et la surveillance et la communication régulières des résultats sont utiles à plusieurs points de vue.

Le gouvernement reconnaît l'importance de la gestion axée sur les résultats. Dans un document publié en novembre 1995 et intitulé *Pour une fonction d'examen plus efficace*, il a annoncé l'engagement implicite d'établir « une philosophie de gestion axée sur les résultats »; il s'attendait aussi à ce que les « gestionnaires responsables des programmes et des services définissent les résultats escomptés, mesurent les progrès réalisés et rendent compte des résultats ». Comme nous l'indiquons dans le chapitre 20, le gouvernement a pris plusieurs initiatives importantes à l'appui de cet engagement, et la gestion axée sur les résultats est maintenant courante dans les ministères. Cependant, on éprouve encore beaucoup de difficulté à franchir certaines étapes essentielles, soit de mesurer les résultats et d'utiliser cette information pour améliorer le rendement.

Pour en savoir davantage, voir les publications suivantes du BVG : La gestion ministérielle axée sur les résultats et la gestion des questions horizontales axée sur les résultats, chapitre 20 du Rapport de 2000; Secrétariat du Conseil du Trésor — Rapport annuel sur les marchés du gouvernement — 1998, chapitre 29 du Rapport de 2000; Portefeuille de l'Industrie — L'investissement dans l'innovation, chapitre 19 du Rapport de 1999; La communication de l'information sur le rendement dans le Système de gestion des dépenses, chapitre 5 du Rapport de 1997; Vers une gestion axée sur les résultats, chapitre 11 du Rapport de 1997; Les sociétés d'État — Appliquer la mesure du rendement, chapitre 22 du Rapport de 1997.

comme un accessoire ou comme quelque chose que l'on fait a posteriori peut mettre une organisation en péril.

Pour en savoir davantage, voir les publications suivantes du BVG : Citoyenneté et Immigration Canada —Le volet économique du programme canadien d'immigration, chapitre 3 du Rapport de 2000; L'évaluation des capacités de gestion financière des ministères, chapitre 13 du Rapport de 2000; Agence canadienne de développement international —La gestion des marchés et des accords de contribution, chapitre 14 du Rapport de 2000; La régie des sociétés d'État, chapitre 18 du Rapport de 2000; La vérification interne dans les ministères et les organismes, chapitre 4 du Rapport de 1996; Développement des ressources humaines du Canada —Régime de pensions du Canada —Invalidité, chapitre 17 du Rapport de 1996; La vérification interne, chapitre 7 du Rapport de 1993; Le ministère des Pêches et des Océans —Le Programme d'adaptation et de redressement de la pêche de la morue du Nord, chapitre 15 du Rapport de 1993.

La valeur des dépenses gouvernementales devrait être mesurée en fonction des résultats obtenus

Définir clairement les résultats d'un programme est une tâche difficile, particulièrement dans le secteur public où les objectifs de la politique sont souvent vastes de par leur nature, mais c'est une tâche qui est nécessaire. Historiquement, on a eu tendance à justifier les programmes gouvernementaux davantage en fonction des ressources utilisées que des résultats obtenus. Mais les gouvernements ne créent pas des programmes pour le plaisir de dépenser. Ils les créent pour assurer des services qui améliorent la vie des Canadiens. Quels résultats le programme doit-il obtenir? Comment saurons-nous s'il les obtient? Il faut répondre à ces questions aussi clairement que le permettent les conditions de chaque programme. C'est la raison pour laquelle le gouvernement doit gérer en fonction des résultats.

Historiquement, on a eu tendance à justifier les programmes gouvernementaux davantage en fonction des ressources utilisées que des résultats obtenus.

Comme il est indiqué dans le chapitre 20 du présent Rapport, la gestion axée sur les résultats d'une organisation exige les éléments suivants :

- favoriser un climat organisationnel où la gestion axée sur les résultats est valorisée, grâce au leadership exercé par la haute direction et à des incitatifs appropriés;
- convenir d'un cadre stratégique en vue d'obtenir des résultats, indiquant clairement les résultats à atteindre et la façon de les atteindre;
- s'entendre sur les résultats escomptés et les stratégies pour les programmes, en établissant des objectifs clairs et des indicateurs de rendement dès le départ;

financiers insuffisantes à DRHC, suite aux compressions et aux réorganisations du milieu des années 1990, ont compté parmi les facteurs qui ont contribué à la mauvaise gestion de plusieurs programmes dans ce ministère. De même, notre vérification du volet invalidité du Régime de pensions du Canada (RPC), en 1996, a permis de conclure que l'augmentation marquée du nombre de prestations d'invalidité versées au titre du RPC, au cours de la décennie précédente, était survenue en raison d'une capacité insuffisante d'analyser les tendances des prestations, de gérer les évaluations de l'admissibilité et d'examiner de façon systématique les dossiers afin de déceler les bénéficiaires qui n'étaient pas admissibles aux prestations. Créer de gros programmes de dépenses, puis les laisser, de fait, sur le « pilote automatique » n'est évidemment pas conforme au principe voulant que l'on maximise la valeur obtenue en contrepartie des dollars des contribuables. Un programme qui mérite d'être mis en oeuvre mérite d'être bien mis en oeuvre. Des ressources insuffisantes ou des ressources mal déployées peuvent miner l'efficacité du programme et entraîner du gaspillage, une perte de confiance et une érosion de l'appui envers le programme.

Établir de gros programmes de dépenses, puis les laisser, de fait, sur le « pilote automatique » n'est évidemment pas conforme au principe voulant que l'on maximise la valeur obtenue en contrepartie des dollars des contribuables.

Des systèmes de contrôle interne efficaces. On entend par contrôle interne les méthodes et les procédures utilisées par la direction pour obtenir l'assurance suivante : les décisions sont prises convenablement, les risques sont gérés, les opérations sont enregistrées, le rendement est surveillé et les résultats communiqués; en bref, tout ce qu'il faut pour faire en sorte que le programme soit géré comme il se doit.

Une fonction de vérification solide, qui met à l'épreuve la crédibilité des mesures du rendement et fournit l'assurance que le cadre de gestion permettant l'atteinte des objectifs du programme fonctionne comme prévu, fait partie intégrante d'un système de contrôle interne efficace. Lors des vérifications de portée gouvernementale réalisées en 1993 et en 1996, nous avons constaté des lacunes dans les fonctions de vérification interne de nombreux ministères. Depuis, des compressions disproportionnées dans les fonctions de vérification interne, d'évaluation et de revue ont affaibli celles-ci encore plus. Par exemple, à DRHC, le personnel de vérification interne, au nombre de 54 employés en 1994-1995, est passé à 33 en 1999-2000. Comme le reconnaissent les normes du Conseil du Trésor, la vérification interne est un outil essentiel à une gestion efficace. La traiter

Les dépenses gouvernementales devraient être gérées avec probité et efficience

Ce principe reconnaît le fait que les fonds publics sont de l'argent détenu en fiducie au profit de tous les Canadiens. Par conséquent, le gouvernement a l'obligation de veiller à ce que cet argent soit géré avec prudence dans l'intérêt du public. Cela veut dire aussi que le gouvernement doit chercher à optimiser la valeur obtenue en contrepartie des dollars qu'il dépense. Le bon sens et de bonnes pratiques de gestion exigent que certaines conditions soient en place pour que le gouvernement puisse s'acquitter de ces obligations de fiduciaire. Ces conditions comprennent une bonne conception des programmes, une capacité suffisante pour exécuter chaque programme et des systèmes de contrôle interne efficaces.

Les fonds publics sont de l'argent détenu en fiducie au profit de tous les Canadiens.

Une bonne conception. La loi ne fournit généralement qu'une orientation générale et un aperçu des plans de dépenses. Les gestionnaires des ministères sont donc responsables de la conception de chacun des programmes selon l'esprit de la loi. Ils doivent définir clairement les résultats souhaités et établir les priorités, choisir des mécanismes et des instruments appropriés pour exécuter les programmes et cerner les risques éventuels et trouver les moyens de les gérer.

La hâte entraîne le gaspillage. Le Programme d'adaptation et de redressement de la pêche de la morue du Nord en constitue un bon exemple. Créé en 1992 pour fournir de l'aide aux pêcheurs et aux travailleurs d'usines touchés par le moratoire sur la pêche à la morue, le Programme a été mis sur pied dans la hâte avant que des critères d'admissibilité et des contrôles financiers appropriés n'aient été établis. Par conséquent, on a versé des paiements à de nombreuses personnes que le moratoire ne touchait pas. De plus, contrairement à l'intention du Programme, des personnes qui avaient quitté la pêche ont repris cette activité. Consacrer le temps et les ressources nécessaires à l'établissement d'un plan efficace et réalisable pour mettre en oeuvre un programme est un investissement qu'il vaut la peine de faire.

Une capacité suffisante pour exécuter le programme. Le programme est-il doté des ressources suffisantes pour produire de façon efficiente les résultats escomptés? Les ressources sont-elles affectées de façon optimale aux tâches nécessaires à l'exécution du programme? Posséder une capacité suffisante est manifestement un ingrédient essentiel du succès d'un programme, mais cet ingrédient n'est pas toujours présent dans les ministères. Comme nous l'avons souligné en octobre dernier, des capacités de gestion et de contrôle

- doivent se conformer à un plan approuvé par le Conseil du Trésor (article 31);

- ne doivent pas dépasser les fonds votés à cette fin par le Parlement (article 32);

- ne peuvent être effectués qu'à la demande du ministre compétent ou de la personne à qui il a donné délégation écrite selon les modalités prescrites par le Conseil du Trésor (article 33).

Lorsque des paiements doivent être effectués pour des services ou des biens reçus, l'agent responsable du ministère doit certifier, avant d'effectuer le paiement, que les conditions d'exécution ont été satisfaites. Pour les subventions et les contributions, l'agent doit certifier que le bénéficiaire a droit au paiement (article 34).

Ces dispositions de la *LGFP* établissent des exigences minimales pour les débours de fonds publics — elles sont incontournables. Pourtant, des violations de ces dispositions se produisent toujours, même si elles sont peu fréquentes. Lors de notre vérification de DRHC plus tôt cette année, nous avons trouvé des cas où des paiements avaient été effectués sans l'approbation requise ou avant que les engagements aient été respectés. La vérification a révélé que des paiements avaient été approuvés par des membres du personnel qui n'avaient pas le pouvoir de le faire et qui, souvent, n'avaient pas vérifié si les demandes de remboursement étaient étayées par l'information requise. Les dispositions de la *LGFP* visent à garantir que les dépenses gouvernementales sont conformes aux autorisations parlementaires et aux politiques énoncées par le gouvernement. Le non-respect de ces dispositions est généralement un indicateur d'autres faiblesses dans la gestion et l'exécution d'un programme.

Pour en savoir davantage, voir les publications suivantes du BVG : Développement des ressources humaines Canada —Les subventions et les contributions, chapitre 11 du Rapport de 2000; Autres observations de vérification —Parc Downsview Park inc. et Travaux publics et Services gouvernementaux Canada, chapitre 17 du Rapport de 2000; Les subventions et les contributions : certains programmes d'Industrie Canada et du ministère du Patrimoine canadien, chapitre 27 du Rapport de 1998; Santé Canada —La santé des Premières nations, chapitre 13 du Rapport de 1997; Le programme Travaux d'infrastructure Canada —Les leçons apprises, chapitre 26 du Rapport de 1996; Aperçu de la gestion des biens immobiliers fédéraux, chapitre 12 du Rapport de 1994; Le contrôle parlementaire sur l'obtention de recettes par l'imposition de droits d'utilisation, chapitre 25 du Rapport de 1993.

Ces principes peuvent sembler évidents mais, apparemment, ils ne sont pas suffisamment bien compris pour empêcher que chacun d'entre eux soit violé, comme je l'indique ci-dessous. Je crois qu'en mettant davantage l'accent sur des principes directeurs et des règles fondamentales, on pourrait réduire l'incidence de telles violations à l'avenir.

J'aborde aussi la question des procédures et des pratiques qui découlent de ces principes. Les procédures et pratiques peuvent varier dans le temps; les principes eux-mêmes demeurent constants. Ils peuvent nous guider pour établir des processus et nous éclairer sur la conduite qu'il convient d'adopter.

Toutes les dépenses gouvernementales devraient recevoir la sanction du Parlement

Le contrôle parlementaire des finances a été décrit comme étant à la base d'un gouvernement responsable. Il est fondé sur deux préceptes essentiels de la démocratie parlementaire — notamment que le gouvernement ne doit pas prélever des sommes d'argent sans l'approbation du Parlement et qu'il ne doit les dépenser qu'aux fins autorisées par le Parlement. Ces préceptes, qui découlent de siècles de lutte entre la Couronne et les Communes en Angleterre, étaient déjà bien établis au moment de la Confédération, en 1867. Lorsque les premières provinces se sont réunies pour établir une forme de gouvernement semblable en principe à celle du Royaume-Uni, elles ont intégré ces préceptes à la *Loi de 1867 sur l'Amérique du Nord britannique*. Le principe voulant que le Parlement soit le gardien de la bourse publique fait donc partie du paysage constitutionnel du Canada depuis la création du pays.

Le principe voulant que le Parlement soit le gardien de la bourse publique fait donc partie du paysage constitutionnel du Canada depuis la création du pays.

Au fil du temps, un certain nombre de pratiques ont été établies pour concrétiser ce principe. Depuis 1951, ces pratiques ont été réunies en une seule loi du Parlement, la *Loi sur la gestion des finances publiques (LGFP)*. La *Loi* rend le Conseil du Trésor responsable du contrôle général des dépenses publiques et chaque ministre, de la légalité et de la probité des dépenses effectuées par son ministère. Elle énonce aussi les conditions précises qui régissent les paiements faits sur le Trésor — le compte auquel, selon la loi, toutes les recettes gouvernementales sont créditées. Plus particulièrement, les paiements :

- sont subordonnés à la signature par le gouverneur général d'un mandat (article 28 de la *LGFP*);

On peut réduire au minimum les risques que pose l'habilitation en appliquant certains principes essentiels pour orienter les mesures et limiter le pouvoir discrétionnaire.

limiter le pouvoir discrétionnaire dans le nouveau contexte décentralisé du secteur public.

Dans mon rapport de 1992, nous insistions sur la nécessité d'accompagner la délégation des pouvoirs dans le secteur public de mesures de protection adéquates. En établissant un parallèle avec des entreprises du secteur privé, nous proposions d'instituer un ensemble de règles fondamentales pour encadrer la prise de décisions par les fonctionnaires. Un ensemble clair de règles de base permettant d'exercer un pouvoir discrétionnaire, comme nous le préconisions, peut aider à minimiser les risques indus, tout en encourageant l'innovation en donnant plus de certitude aux employés quant à ce qu'ils peuvent faire.

Les règles proposées dans mon rapport de 1992 figurent à la pièce 1. La liste n'est pas complète; on pourrait y ajouter d'autres exemples. Pour fonctionner, les règles doivent être bien comprises. Elles doivent donc être codifiées et communiquées dans toute la fonction publique. Je crois que cela aiderait à réduire au minimum les risques indus des activités gouvernementales.

Pièce 1 – Quelques règles fondamentales pour la fonction publique

- Ne rien faire d'illégal. Respecter l'esprit et la lettre de la loi et des règlements.
- Agir dans le cadre des pouvoirs délégués.
- Agir de manière à être politiquement neutre.
- Agir de manière impartiale, honnête et équitable.
- Ne pas gaspiller les fonds publics.
- Protéger les biens.
- Respecter les valeurs fondamentales de l'organisation.
- Rendre les normes de service visibles.
- Réaliser le potentiel de production de toutes les ressources placées sous son contrôle, particulièrement les personnes.
- Ne pas prendre de décisions qui engagent d'importantes ressources publiques sans avoir obtenu l'autorisation appropriée.
- Donner les raisons pour lesquelles les risques ont été acceptés.
- Rendre compte des responsabilités assumées et de l'atteinte du rendement convenu.
- Obtenir l'autorisation s'il faut se soustraire à une règle fondamentale.

Source : *Rapport du vérificateur général du Canada* de 1992, chapitre 4.

Ces règles, et d'autres comme elles, peuvent se traduire par quelques principes qui sont enracinés dans notre régime parlementaire et dans l'obligation fiduciaire du gouvernement envers les Canadiens à l'égard de la gestion des fonds publics. J'examine dans le présent chapitre les quatre principes suivants :

- Toutes les dépenses gouvernementales devraient recevoir la sanction du Parlement.
- Les dépenses gouvernementales devraient être gérées avec probité et efficience.
- La valeur des dépenses publiques devrait être mesurée en fonction des résultats obtenus.
- Les programmes gouvernementaux de dépenses devraient toujours avoir leur raison d'être.

d'optimiser les ressources sont toujours constatées avec une fréquence alarmante dans le secteur public fédéral.

Pourquoi ces problèmes semblent-ils aussi insolubles? Pourquoi persistent-ils année après année, malgré des engagements exprès de les régler? Que peut-on faire pour combler l'écart entre les promesses et la façon dont le gouvernement gère l'argent des contribuables?

S'il était facile de trouver des réponses à ces questions, nous n'aurions pas à y revenir aussi souvent. Mais après avoir scruté à la loupe les dépenses du gouvernement pendant dix ans, je crois qu'il est possible de faire mieux et qu'il faut prendre la résolution de le faire. La principale partie du chapitre porte sur la façon d'y parvenir. La section qui suit présente un certain nombre de principes qui doivent guider les décisions de dépenses au gouvernement. Dans les parties suivantes, j'expose des moyens de renforcer ces principes grâce à une structure appropriée d'incitatifs et de règles d'éthique. Comme par les années précédentes, les questions qui ne sont pas directement liées au thème du chapitre (veiller à ce que les dépenses soient effectuées avec prudence dans le secteur public), mais que je considère importantes, sont présentées dans une annexe au chapitre.

Quatre principes fondamentaux régissant les dépenses publiques

Au cours de la dernière décennie, l'administration publique fédérale au Canada a subi d'énormes changements. Comme dans de nombreux autres pays du monde industrialisé, l'administration fédérale s'est éloignée considérablement des contrôles détaillés traditionnels exercés au niveau central et des processus pour accorder une plus grande autonomie aux ministères et mettre l'accent sur les résultats. L'adoption de la gestion axée sur les résultats a été motivée par le désir de tirer parti de l'esprit d'entreprise et du jugement des fonctionnaires et de les habiliter à améliorer le rendement. En contrepartie, cependant, l'affaiblissement des contrôles traditionnels peut accroître le risque d'erreur, de mauvais jugement ou d'abus.

Revenir aux anciens systèmes fondés sur les règles ne saurait répondre à ce dilemme. À l'ère de l'information, les stratégies de commandement et de contrôle du sommet vers la base ne fonctionnent pas. Ont-elles déjà vraiment fonctionné? On peut réduire au minimum les risques que pose l'habilitation en appliquant certains principes essentiels pour orienter les mesures et

Plus tôt cette année, la révélation de lacunes importantes dans la gestion des subventions et des contributions à Développement des ressources humaines Canada (DRHC) a eu un grand retentissement. Le public a réagi fortement car les sommes en jeu étaient importantes. De plus, je crois qu'après des années d'augmentation d'impôts et de diminution ou de stagnation des budgets des ménages, le public est encore plus sensible qu'avant aux pratiques de dépenses laxistes du gouvernement. Cette question a fait l'objet d'une grande couverture dans les médias et de vifs débats à la Chambre des communes. Mais les lacunes comme celles de DRHC — des critères d'admissibilité appliqués de façon vague et incohérente, des transgressions des autorisations, l'absence d'un cadre de contrôle et de reddition de comptes approprié — ne sont pas le seul apanage d'un programme ou d'un ministère. Nous avons observé des lacunes semblables (bien que d'une ampleur moindre) lors de notre vérification du programme Travaux d'infrastructure Canada en 1996, de notre vérification de la Stratégie du poisson de fond de l'Atlantique en 1997 et de notre vérification des programmes de subventions et de contributions à Industrie Canada et au ministère du Patrimoine canadien en 1998. Je pourrais citer d'autres exemples relevés au fil des ans, mais ceux-ci suffisent pour étayer mon point de vue, à savoir que les dépenses gouvernementales ne sont pas toujours effectuées avec le soin et la prudence que les contribuables ont le droit d'exiger.

Les dépenses gouvernementales ne sont pas toujours effectuées avec le soin et la prudence que les contribuables ont le droit d'exiger.

Les Canadiens sont à juste titre indignés par ces révélations. Ils estiment peut-être, comme le juge Oliver Wendell Holmes, que les impôts sont le prix à payer pour la civilisation et ne rechignent pas devant le lourd tribut qu'ils paient pour financer les services publics nécessaires. Mais ils s'indignent et se fâchent lorsqu'ils voient que leurs impôts sont gaspillés ou ne sont pas utilisés avec le soin et la prudence dont eux-mêmes ont dû faire preuve pour boucler leur budget familial. Franchement, je partage leur frustration. Après que des cas de gaspillage et de mauvaise gestion ont été découverts et réglés, il est décourageant de voir réapparaître, comme l'hydre légendaire, des incidents semblables.

Au cours de mes dix années en tant que vérificateur général, j'ai été le témoin d'améliorations importantes de la gestion des dépenses publiques, apportées souvent dans le contexte de compressions budgétaires. Mais les progrès ont été lents et il y a eu aussi des reculs. L'augmentation subite des dépenses en fin d'exercice, les engagements de dépenses sans planification ou contrôle adéquats, l'insuffisance des efforts déployés pour recouvrer les sommes dues à l'État — ces indications et d'autres de l'incapacité

Améliorer la gestion des dépenses gouvernementales



Chaque année, dans ce chapitre, je mets en lumière des questions que je considère particulièrement importantes. C'est le dixième et dernier chapitre que je consacre à ces questions : mon mandat de dix ans en qualité de vérificateur général se termine à la fin de mars 2001. En février, je compte présenter un rapport « récapitulatif » au Parlement qui coïncidera avec la fin de mon mandat. Ce rapport présentera ma perspective sur quelques-uns des principaux problèmes de gestion auxquels le gouvernement fédéral est confronté, le rôle de la vérification législative et son évolution au cours des dix dernières années ainsi que les efforts déployés par mon Bureau pour cerner les problèmes et obtenir une réforme des organismes centraux et de l'exécution des programmes.

Malgré des efforts honnêtes et maints engagements d'amélioration, la gestion des dépenses dans le secteur public fédéral n'est toujours pas aussi bonne qu'elle devrait et qu'elle peut l'être.

Dans ce chapitre, je veux me concentrer sur un thème qui est essentiel à notre bureau et qui me tient à coeur : comment améliorer la gestion des **dépenses** dans le secteur public. Malgré des efforts honnêtes et maints engagements d'amélioration, la gestion des dépenses dans le secteur public fédéral n'est toujours pas aussi bonne qu'elle devrait et qu'elle peut l'être. À cette fin, j'énonce certains principes fondamentaux qui devraient permettre de prendre des décisions éclairées en ce qui a trait aux dépenses et d'adopter de bonnes pratiques à cet égard dans un régime parlementaire comme le nôtre, et j'expose certaines de leurs répercussions. Je montre aussi comment un cadre solide de valeurs et d'éthique et des incitatifs structurés adéquatement peuvent favoriser le respect de ces principes de dépenses publiques.

L'intendance des fonds publics mérite une attention accrue

Malgré le repli et les compressions de la dernière décennie, les dépenses du gouvernement fédéral demeurent à des sommets historiques — soit environ 175 milliards de dollars par année. Il est clair que la façon dont cet argent est dépensé intéresse grandement les contribuables, qui en assument les frais, et le public en général, au nom duquel ces dépenses sont effectuées.

Notre vision

Nous nous sommes engagés à produire des changements positifs pour tous les Canadiens en faisant la promotion d'une administration gouvernementale responsable, honnête et productive qui reflète un engagement envers le développement durable et ce, dans l'exécution du mandat que nous a confié le Parlement.

Notre mission

Nous effectuons en toute indépendance des missions de vérification et des examens qui fournissent information, assurance et avis objectifs au Parlement. Nous visons ainsi à améliorer le contrôle parlementaire sur les deniers publics et à encourager l'emploi des meilleures méthodes de gestion dans l'administration publique.

Élaboration de la mission

Dans l'accomplissement de notre mission,
nous voulons produire des résultats positifs en favorisant :

- *un compte rendu juste et honnête de l'intendance du gouvernement à l'égard des ressources financières et autres;*
- *l'efficience et la productivité au sein de la fonction publique;*
- *la rentabilité des activités du gouvernement;*
- *la perception des recettes dues à l'État.*

Par notre travail, nous voulons aussi :

- *fournir une assurance objective à l'égard des questions jugées satisfaisantes ou insatisfaisantes;*
- *assurer la conformité aux autorisations;*
- *prévenir la fraude et la malhonnêteté.*

Ces principes peuvent sembler évidents, mais ils sont violés trop souvent. Je montre donc également comment un cadre solide de valeurs et d'éthique et des incitatifs structurés adéquatement peuvent favoriser le respect de ces principes de dépenses publiques.

Dans l'annexe au chapitre, je traite d'autres questions qui présentent toujours de l'intérêt :

- les réformes de la gestion des ressources humaines dans la fonction publique;
- les capacités de gestion financière des ministères;
- les progrès réalisés dans la communication par les ministères de l'information sur le rendement;
- les faiblesses du système d'éducation des enfants indiens qui vivent dans les réserves;
- les défis auxquels sont confrontés les programmes fédéraux de réglementation relatifs à la santé et à la sécurité;
- les lacunes dans la régie des sociétés d'État;
- les possibilités d'économies cernées par nos vérifications.

Contexte

Malgré le repli et les compressions de la dernière décennie, les dépenses du gouvernement fédéral demeurent à des sommets historiques — soit environ 175 milliards de dollars par année. Il est clair que la façon dont cet argent est dépensé intéresse grandement les contribuables, qui en assument les frais, et le public en général, au nom duquel ces dépenses sont effectuées.

Au cours des dix années de mon mandat en tant que vérificateur général, j'ai été le témoin d'améliorations importantes dans la gestion des dépenses publiques, apportées bien souvent dans le contexte de compressions budgétaires. Mais les progrès ont été lents et il y a eu aussi des reculs. L'augmentation subite des dépenses en fin d'exercice, les engagements de dépenses sans planification ou contrôle adéquats, l'insuffisance des efforts déployés pour recouvrer les sommes dues à l'État — ces indications et d'autres de l'incapacité d'optimiser les ressources sont toujours constatées avec une fréquence alarmante dans le secteur public fédéral.

Pourquoi ces problèmes semblent-ils aussi insolubles? Pourquoi persistent-ils année après année, malgré les engagements exprès de les régler? Que peut-on faire pour combler l'écart entre les promesses et la façon dont le gouvernement gère l'argent des contribuables? Ce sont là les questions qui motivent mes propos dans le présent chapitre.

Questions d'une importance particulière – 2000

Points saillants

Chaque année, dans ce chapitre, je mets en lumière des questions que je considère particulièrement importantes. Dans ce dixième et dernier chapitre que je consacre à ces questions, je me concentre sur la façon d'améliorer la gestion des dépenses publiques. Je discute de quatre principes fondamentaux qui devraient permettre de prendre des décisions éclairées en ce qui a trait aux dépenses et d'adopter de bonnes pratiques à cet égard dans un régime parlementaire comme le nôtre :

- **Toutes les dépenses du gouvernement devraient recevoir la sanction du Parlement.** Le contrôle des finances exercé par le Parlement a été décrit comme étant à la base d'un gouvernement responsable. Il est fondé sur deux préceptes essentiels de la démocratie parlementaire — notamment que le gouvernement ne doit pas prélever des sommes d'argent sans l'approbation du Parlement et qu'il ne doit les dépenser qu'aux fins autorisées par le Parlement. La conformité aux autorisations parlementaires est une exigence minimale qui doit être respectée pour tout débours de fonds publics.

- **Les dépenses gouvernementales devraient être gérées avec probité et efficience.** Ce principe reconnaît le fait que les fonds publics sont de l'argent conservé en fiducie au profit de tous les Canadiens. Par conséquent, le gouvernement a l'obligation de veiller à ce que cet argent soit géré avec prudence dans l'intérêt public. Cela veut dire aussi que le gouvernement doit chercher à maximiser la valeur obtenue en contrepartie des dollars qu'il dépense.

- **La valeur des dépenses gouvernementales devrait être mesurée en fonction des résultats obtenus.** Historiquement, on a eu tendance à justifier les programmes publics davantage en fonction des ressources utilisées qu'en fonction des résultats obtenus. Mais les gouvernements ne créent pas des programmes pour le plaisir de dépenser. Ils les créent pour assurer des services qui visent à améliorer la vie des Canadiens. C'est la raison pour laquelle ils doivent gérer en fonction des résultats.

- **Les programmes gouvernementaux de dépenses devraient toujours avoir leur raison d'être.** Les ressources dont dispose le gouvernement évoluent au fil du temps, tout comme les besoins et les préférences du public. Pour s'assurer que les dépenses publiques servent aux fins qui sont jugées les plus utiles, le gouvernement doit évaluer régulièrement ses programmes et déterminer s'ils sont toujours pertinents, efficaces et à la mesure de nos moyens.

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Questions d'une importance particulière – 2000

De plus, notre bureau a fourni cette année :

- un rapport du vérificateur et des observations sur les états financiers du gouvernement du Canada;
- un rapport du vérificateur et des observations sur l'état des opérations du Compte de service et de réduction de la dette;
- quelque 90 rapports du vérificateur et des observations sur les états financiers des sociétés d'État, des établissements publics et d'autres entités fédéraux, des organisations et des gouvernements territoriaux, et d'organisations internationales.

En 1999-2000, notre bureau a terminé les examens spéciaux des sociétés d'État suivantes : Conseil canadien des normes, Musée national des sciences et de la technologie, Corporation de développement des investissements du Canada, Société pour l'expansion des exportations, Marine Atlantique S.C.C., Société du Vieux-Port de Montréal Inc., Société d'assurance-dépôts du Canada, Société d'expansion du Cap-Breton, Musée des beaux-arts du Canada, Office de commercialisation du poisson d'eau douce, Queens Quay West Land Corporation et la Monnaie royale canadienne. De plus, au cours de la période ultérieure allant d'avril à octobre 2000, notre bureau a terminé les examens spéciaux d'autres sociétés : Administration de pilotage des Laurentides, Commission canadienne du lait, Société Radio-Canada et Société immobilière du Canada Limitée.

Aux termes de l'article 11 de la *Loi sur le vérificateur général*, je peux réaliser des missions à la demande du gouverneur en conseil. En 2000, nous avons reçu les demandes suivantes en vertu de cet article :

- Faire enquête au sujet du Yukon Workers' Compensation Health and Safety Board;
- Examiner les états financiers annuels et les opérations financières de l'UNESCO et en faire rapport, notamment formuler des observations sur l'efficience des mécanismes financiers, du système comptable, du contrôle financier interne et, en général, de l'administration et de la gestion de l'organisation, pour trois exercices consécutifs à compter de celui de 2000-2001;
- Vérifier chaque année les états financiers annuels de la Commission canadienne de sûreté nucléaire;
- Faire enquête et dresser un rapport sur le rapprochement visé par l'article 23 de l'Accord de perception fiscale (taxe de ventes) entre le gouvernement du Canada et la bande indienne de Kamloops.

Rapport du vérificateur général du Canada à la Chambre des communes — Décembre 2000

Avant-propos

Je suis heureux de présenter le volume de décembre de mon rapport de 2000. Cet avant-propos est suivi de « Questions d'une importance particulière – 2000 » et des Points saillants qui sont tirés de tous les chapitres de cette année. Ce volume contient en outre 18 chapitres reliés séparément.

18. La régie des sociétés d'État

19. L'information sur le rendement communiquée au Parlement : les progrès sont trop lents

20. La gestion ministérielle axée sur les résultats et la gestion des questions horizontales axée sur les résultats

21. Le Programme de recrutement postsecondaire de la fonction publique fédérale

22. L'élaboration de la Norme générale de classification : suivi

23. Les technologies de l'information : l'acquisition de biens et de services

24. Les programmes fédéraux de réglementation relatifs à la santé et à la sécurité

25. Agence canadienne d'inspection des aliments – Les programmes d'inspection des aliments

26. Santé Canada – Le régime de réglementation des produits biologiques

27. Commission canadienne de sûreté nucléaire – La réglementation des centrales nucléaires

28. Suivi de recommandations antérieures sur des programmes de réglementation relatifs à la santé et à la sécurité

29. Secrétariat du Conseil du Trésor – Rapport annuel sur les marchés du gouvernement – 1998

30. Pêches et Océans – Les effets de la salmoniculture en Colombie-Britannique sur la gestion des stocks de saumon sauvage

31. Pêches et Océans – La gestion de la flotte

32. Défense nationale – La productivité des services de soutien de la Défense : un rapport d'étape

33. Suivi des recommandations formulées dans des rapports antérieurs

34. Autres observations de vérification

35. La stratégie de développement durable du Bureau du vérificateur général

Notre bureau a publié le premier volume du Rapport de 2000 en avril (9 chapitres) et le second (8 chapitres) en octobre.

Avant-propos

AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

Président de la Chambre des communes

J'ai l'honneur de vous transmettre ci-joint mon rapport annuel de 2000 à la Chambre des communes, lequel doit être déposé à la Chambre en conformité avec les dispositions du paragraphe 7(3) de la *Loi sur le vérificateur général.*

Le vérificateur général du Canada,

L. Denis Desautels, FCA

OTTAWA, le 20 décembre 2000

Le Rapport de décembre 2000 comporte 18 chapitres, dont le chapitre « Questions d'une importance particulière », ainsi qu'un Avant-propos et les Points saillants des chapitres des Rapports d'avril ainsi que d'octobre et de décembre 2000. Afin de mieux répondre aux besoins de nos clients, il est disponible sur divers supports. Pour obtenir d'autres documents ou les obtenir sur un autre support, voir la Table des matières et le bon de commande à la fin du présent document.

Dans le présent rapport, le genre masculin est utilisé sans aucune discrimination et uniquement dans le but d'alléger le texte.

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vérificateur général du Canada

à la Chambre des communes

Questions d'une importance particulière – 2000

Avant-propos et Points saillants

Décembre 2000

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Report of the Auditor General of Canada to the House of Commons

Chapter 18
Governance of Crown Corporations

December 2000

Report of the Auditor General of Canada to the House of Commons

Chapter 18
Governance of Crown Corporations



December 2000

This December 2000 Report comprises 18 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 2000 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 18

Governance of Crown Corporations

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Governance of Crown Corporations

Main Points

18.1 The management of Crown corporations has improved since the *Financial Administration Act* was amended in 1984 to strengthen their control and accountability framework. Nevertheless, further improvement is needed in some important areas like strategic and corporate planning and the measurement and reporting of performance. We found a need for special attention in three areas that are central to the way Crown corporations are governed:

- Boards of directors of Crown corporations need to be strengthened. They reflect Canada's diversity but lack other key skills and capabilities that are needed to function effectively and to carry out their important responsibilities under the *Financial Administration Act* for the affairs of the corporation. Corporations need to better define their requirements for skills and capabilities and communicate them to the government; the government needs to act on those requirements. Boards of directors also need to be more engaged in the selection of their chair as well as the corporation's chief executive officer (CEO). Without meaningful board involvement in the selection of the chief executive officer, his or her accountability to the board is weakened and corporate governance as a whole suffers.
- Audit committees in Crown corporations play a crucial role in financial reporting, risk management, and internal control. They are the "engine" of the board of directors. Yet half of the audit committees we examined were operating below an effective level. Serious weaknesses in an audit committee can undermine the overall strength of the board.
- The government has a limited capacity for reviewing and challenging Crown corporation corporate plans as a basis for approving them. Corporate plans set out the strategic direction of a Crown corporation and are intended to be the cornerstone of the Crown corporation control and accountability framework under the *Financial Administration Act*. The government needs to strengthen its capacity to review and challenge these plans since, once approved, they are the basis for holding Crown corporations accountable for conforming to government policy and for their overall performance. Furthermore, there is a need for a more systematic and regular review of the relevance of Crown corporation mandates.

18.2 Weaknesses in all of these areas impede the successful implementation of Part X of the *Financial Administration Act* and the quality of Crown corporation governance. They have been raised many times before, in Auditor General reports and other external studies and reports, but the weaknesses remain. Crown corporation CEOs and chairs view the resolution of these issues as critical and they need to be addressed with urgency. Other industrialized countries have moved ahead of Canada in these areas of Crown corporation governance.

18.3 Corporate governance refers to the process and structure for overseeing the direction and management of a corporation so that it carries out its mandate and objectives effectively. It is critical that a Crown corporation, as a public sector body, be governed well if taxpayers' money is to be well spent. Good corporate governance is important to maximize performance, prevent financial losses and help to achieve the corporate mandate. But it is in times of difficulty, turbulence and change that good governance is most critical.

Background and other observations

18.4 Crown corporations are distinct legal entities wholly owned by the government. They operate in many sectors, including transportation, agriculture and culture. They have more autonomy to manage than most other

government entities so they can operate in a more commercial manner. A board of directors oversees the management of each corporation and holds management responsible for the corporation's performance. The government retains power and influence over Crown corporations in areas like appointments, remuneration for chief executive officers and directors, and approval of plans and budgets.

18.5 Crown corporations account for a significant portion of government activity. There are currently 41 federal Crown corporations (not including subsidiaries), employing 70,000 people. In aggregate (excluding the Bank of Canada), they manage $68 billion in assets and $61 billion in liabilities. While Crown corporations represent a significant opportunity to achieve public policy and other goals and to generate revenue, they also represent significant exposure to potential financial losses and other risks.

18.6 In addition to our continuing work as auditors and examiners of most Crown corporations, we looked in detail at a representative group of 15 Crown corporations. We also compared Canadian Crown corporations with state-owned enterprises elsewhere, and used the results of other research, studies, audits and roundtables to support our findings. In addition, we summarized the results of special examinations — a type of value-for-money audit of Crown corporations — carried out between 1984 and 2000.

In view of the fact that many of the recommendations deal with Governor in Council discretion, no detailed responses to the recommendations were made. Overall, the Privy Council Office states that the government has made strides in a number of corporate governance areas, and is committed to examining measures to address areas needing improvement and to ultimately strengthening governance in Crown corporations. The Privy Council Office also states that it is paramount to ensure that appointments to Crown corporations result in strong boards of directors, and that the appointment process for Crown corporations be inclusive of all interested parties, bearing in mind that appointments remain at the discretion of the government.

Reaction from Crown corporation chairs and CEOs indicate that, for the most part, they agree with the recommendations directed specifically at them.

Introduction

18.7 Crown corporations are distinct legal entities that are wholly owned by the government. Their use by government to deliver important public programs dates back to Confederation; they operate in many sectors of the Canadian economy, including transportation, energy and resources, agriculture and fisheries, financial services, culture, and government services. Crown corporations vary widely in size and in the level of financial support they receive from the government.

18.8 Crown corporations account for a significant portion of the government's activity. There are currently 41 Crown corporations (excluding subsidiaries), employing 70,000 people. In aggregate (excluding the Bank of Canada), they manage $68 billion in assets and $61 billion in liabilities. While Crown corporations represent a significant opportunity to achieve public policy and other goals and to generate revenue, they also represent significant exposure to potential financial losses and other risks. They have total debt obligations (debts payable to Canada and to the private sector) of $49 billion. Government budgetary appropriations are $3.8 billion annually. Appendix A presents a list of all Crown corporations (excluding subsidiaries) by ministerial portfolio.

Major legislative reforms of Crown corporation governance in 1984

18.9 The *Financial Administration Act (FAA)* was amended in 1984 to address major performance problems in Crown corporations. The amendments to the *FAA* (Part X) imposed a more rigorous regime, designed to ensure an adequate level of direction, control and accountability of Crown corporations. All Crown corporations fall under the *FAA*, except for some "exempt" corporations where Parliament agreed to create further distance from the government.

18.10 The new regime created a unique model for governance, establishing the relationship that should exist among a Crown corporation, the responsible minister, the government and Parliament. The regime outlines the roles and authorities of the corporation's board of directors, management, the responsible minister, the Minister of Finance, the Treasury Board, the Governor in Council, Parliament, and external and internal auditors (see Appendix B for details).

Crown corporations account for a significant portion of the government's assets, liabilities and expenditures.

18.11 The regime attempts to balance the Crown corporation's relationship with the government between its "arm's length" independence in day-to-day activities and government's appropriate direction and control. Crown corporations have more autonomy to manage than most other government entities so they can operate in a more commercial environment. A board of directors oversees the management of each corporation and holds management responsible for the company's performance. Through the Crown corporation's chair, the board of directors is accountable to a minister who represents the government and acts as the link between the corporation and both Cabinet and Parliament. The government retains power and influence over Crown corporations in areas like appointment and remuneration of directors and chief executive officers, directives and regulations, and approval of corporate plans and budgets. Each Crown corporation is accountable to Parliament through the responsible minister.

Crown corporations have more autonomy to manage than most other government entities.

18.12 The *FAA* amendments also strengthened internal audit and introduced special examinations (a type of value-for-money audit) in most Crown corporations, in addition to the annual audits of financial statements. Special examinations provide the board with an independent opinion on how well the corporation is being managed. A Crown corporation must undergo a special examination every five years; the

period 1996 to 2001 represents the third cycle of special examinations since the *FAA* was amended. Appendix C outlines the role of special examinations and provides more detail on what they examine. It also presents an overall summary of findings over the three examination cycles to date.

18.13 Each Crown corporation's enabling legislation, whether a special act of Parliament or articles of incorporation under the *Canada Business Corporations Act*, sets out in broad terms its mandate, powers and objectives.

Good corporate governance is more important than ever

18.14 Like most organizations, Crown corporations face a complex and rapidly changing environment. The private sector is increasingly active in areas that once were the exclusive domain of Crown corporations. Technological advances and consumer demands for new and different services create pressure for change.

Research shows a relationship between good governance and good results.

18.15 Crown corporations must deal with the added complexity of managing in the public sector. Corporations in the private sector operate to maximize shareholder value. However, the objectives of Crown corporations are not always that clear. Many are required to achieve financial self-sufficiency while meeting public policy objectives (such as delivering needed services that are not commercially viable).

18.16 Corporate governance refers to the process and structure for overseeing the direction and management of a corporation so that it carries out its mandate and objectives effectively. It is critical that a Crown corporation, as a public sector body, be governed well if taxpayers' money is to be well spent.

18.17 Good corporate governance is essential if a Crown corporation is to fulfil its mandate. In good times, good governance can increase the effectiveness of performance and help to prevent potential financial losses, ineffectiveness and inefficiencies. But it is in times of difficulty, turbulence and change that good governance is most critical.

18.18 In the recent past, landmark studies (for example, the Cadbury Report, United Kingdom 1992, Gérard Veilleux's report "Unfinished Business" in 1993, and the 1994 Toronto Stock Exchange Guidelines for Improved Corporate Governance in Canada) have focussed on the need to address gaps in corporate governance. Corporate failures and scandals have been linked to weaknesses in governance. The Canadian Institute of Chartered Accountants, supported by the Toronto Stock Exchange and the Canadian Venture Exchange, has established a Joint Committee on Corporate Governance to review the current state of corporate governance in Canada, compare Canadian practices with international best practices, and recommend changes to ensure that Canadian corporate governance is among the best in the world. It has become an accepted reality for private and public sector corporations that good governance is essential to long-term success.

18.19 The literature shows a relationship between good governance and good results. For example, companies whose standards of corporate governance are high are more likely to gain the confidence of investors and support for the development of their businesses.

Focus of the audit

18.20 Our special examinations over the last 15 years indicate that overall the management of Crown corporations has improved since the *FAA* was amended. Nevertheless, further improvement is needed in some important areas like strategic and corporate planning and the measurement and reporting of corporate performance.

18.21 Government documents, important studies, professional literature and the accountability and control regime

for Crown corporations all point to the fundamental importance of effective corporate governance. However, our experience with auditing Crown corporations suggests a need for special attention to three areas that are central to the governance of Crown corporations:

- the process of appointing the chief executive officer (CEO) and the board chair and directors;

- the composition, role, responsibilities, and performance of the board's audit committee; and

- the government's capacity to review and challenge the corporation's corporate plan before approval and to ensure that Crown corporation mandates continue to be relevant.

18.22 Weaknesses in these three areas impede the successful implementation of Part X of the *FAA* and the effective governance of Crown corporations. Previous reports of the Auditor General have raised the need to resolve them, as have studies and reports by others, but the weaknesses remain. This chapter discusses them in detail. Crown corporation CEOs and board chairs cite as an ongoing frustration these continuing weaknesses in areas they view as high priorities. Other countries have moved ahead of Canada in these areas of Crown corporation governance.

18.23 Given their importance to good governance of Crown corporations and the concerns identified during the course of our previous audits, these three areas were the focus of this audit. We set out to examine how well these areas were now functioning. The audit scope included key provisions of Part X of the *FAA* and parallel provisions in the enabling legislation of Crown corporations exempted from Part X. Further details on the audit scope, objectives and criteria are presented at the end of the chapter in **About the Audit**.

Observations and Recommendations

Appointing Boards of Directors, Board Chairs, and Chief Executive Officers

Boards of directors have a pivotal role

18.24 The government has stated, "...Crown corporations will operate at peak efficiency only when boards of directors operate at peak efficiency" (Crown Corporations Direction, Control, Accountability, Government of Canada's Proposals, Privy Council Office, 1977). The *FAA* stipulates that the board of directors is responsible for the affairs of the corporation. The Treasury Board's guidelines on Corporate Governance in Crown Corporations and Other Public Enterprises (1996) include a number of ways to strengthen the board's effectiveness. The guidelines state that a board of directors has a duty to oversee the management of its Crown corporation with a view to both the best interests of the corporation and the long-term interests of the government. To fulfil that stewardship duty, the board is expected to exercise judgment in establishing the corporation's strategic direction, safeguarding the corporation's resources, monitoring corporate performance, and reporting to the Crown. The board is accountable for its performance to the responsible minister, and the minister is accountable in turn to Parliament for the performance of the corporation.

18.25 It is therefore in the government's interest to appoint strong boards of directors. The appointment of directors is a fundamental prerogative of the shareholder in private sector and public sector corporations, including Crown corporations. Under the *FAA*, the responsible minister appoints directors with the approval of the Governor in Council, following a review of the minister's recommendations by the Prime

It is in the government's interest to appoint strong boards of directors to oversee the management of Crown corporations.

Minister's Office. The government needs to appoint strong boards, allow them to do their work, and dismiss those that do not. Given the pivotal role of the board of directors in governing a Crown corporation, we looked for timely appointments of qualified directors who met the requirements of both the government and the corporation.

Boards reflect Canada's diversity but lack other key skills and capabilities

Many chairs and CEOs are not satisfied with the mix of skills and capabilities on their boards.

18.26 The first step in any effective appointment process is to identify the skills and capabilities the position requires. The government has made a commitment to appoint, on the basis of competence and equity, directors who meet the following requirements:

- Appointees must meet the criteria that may be specified in the corporation's particular enabling legislation.
- Geographic regions must be well represented on the board and geographic concerns taken into account.
- The capacity to speak both official languages is often required.
- Persons appointed will better represent women, visible minorities, Aboriginal peoples, and people with disabilities (So You Want An Order-In-Council Appointment? by Penny Collenette, Prime Minister's Office).

18.27 The government has improved the gender balance and geographic representation on boards of directors. According to the Conference Board of Canada, Crown corporation boards continue to lead all sectors in board gender balance, with women accounting for 30 percent of directors, compared with 10 percent in other sectors; and 18 percent of board chairs are women, compared with 6 percent in other sectors. Sixty-five percent of Crown corporations view geographic representation as the top criterion in the selection of new board directors, compared with 25 percent of private sector corporations.

18.28 Many Crown corporation chairs and CEOs report that they are not satisfied with the mix of skills and capabilities on their boards. According to the Conference Board of Canada, 18 percent of Crown corporations view a specific skill set to complement the board as the top criterion in the selection of new board directors, compared with 58 percent of private sector corporations. When we asked Crown corporation chairs and CEOs what necessary capabilities or skills their boards of directors were missing, they noted gaps in one or more of financial expertise and financial literacy, marketing, accounting, strategic leadership, previous experience on a board of directors or related experience, ideally in an organization of similar stature (assets, revenues, complexity), and knowledge of the corporation's business. They also noted the value of having a chair or one or more

Exhibit 18.1

Comments on Board Skills and Capabilities by Chairs and CEOs

"Politics, gender and geography are the top three selection criteria now....Relevant business experience needs to be number one."

"Twenty-five percent of the board today are out of their depth due to political criteria being used [for selection] instead of business."

"Depth of experience is needed, and character to promote a close working relationship with the CEO."

"Experience in specific industries (for example, financial services) is essential to the board, but ignored in recent appointments."

"We have lots of lawyers, which is fine, but could use at least one accountant."

directors with previous CEO experience. Exhibit 18.1 presents some of their comments.

18.29 We also asked chairs and CEOs about the impact of these gaps in skills. Their responses indicate that the gaps undermine the board's effectiveness. For example:

> Today, the only individual on our board who has a strong financial background is the CEO....How can the board direct, oversee or even support the corporation's work effectively?

> CEOs look to the board, and individual directors, to run ideas by, and to engage in in-depth exploration....This role of the board can't be fulfilled now.

18.30 These gaps in board skills and capabilities are a reflection of the appointment process, which we examined in some depth. The selection process for board directors must seek out people with the capabilities and skills that are essential to the effective functioning of the board; that is in the interest of both the government and the Crown corporation. The government needs to understand the skills and capabilities the corporation needs and lacks on the board when it looks for candidates to fill board vacancies. At the same time, it also needs to meet its own objectives. The final appointment must reflect the needs of both the government and the corporation.

Appointments need to meet the board's skill and capability requirements

18.31 Both the government and the Crown corporation have a role to play in ensuring that directors have the necessary qualifications to meet the board's needs. Under the *FAA*, the responsible minister appoints the board of directors with the approval of the Governor in Council. That the "board of directors should contribute to its own renewal" is also clearly stated in the Treasury Board's guidelines on corporate governance:

> The selection and recruitment of knowledgeable and skilled candidates to the board is of prime importance....Recommendations by the existing board influence the selection and approval process. The board's experience...provides an ideal basis for the board to review the suitability of its composition and the effectiveness of its performance.... The board's self-assessment of the skills required can be a useful basis for recommendations on the appointment or replacement of directors as terms approach expiry. The chair, on behalf of the board, should advise the appropriate minister and the Director of Appointments in the Prime Minister's Office of the desired mix of skills useful for the board and, in particular, those skills that should be sought in upcoming vacancies.

Gaps in skills and capabilities undermine the board's effectiveness.

18.32 Consistent with best practices, boards need to produce profiles that specify the skills they require based on identified needs or gaps, and that focus on the positions themselves rather than the individuals who might fill them. The board profiles must capture the skills the corporation will need in the future to move its strategic direction forward. In his 1993 report, Gérard Veilleux recommended the use of board profiles in Crown corporations. The Privy Council Office, the Treasury Board, the Auditor General, and several provincial governments endorsed the recommendation.

Only 34 percent of Crown corporations have completed profiles outlining their requirements for director skills and capabilities.

18.33 And yet we found that many boards of directors have not developed such profiles. In 1995, we reported that 13 percent of Crown corporations were using board profiles and we encouraged ministers to lend their support to the practice. We find now that 34 percent of all corporations have completed profiles or selection criteria for board members. Typically, the Crown corporation sends these to the minister's office, and only

sometimes to the Privy Council Office or the Prime Minister's Office.

18.34 Job descriptions for the board of directors, the chair and the CEO can provide a good context for developing the board skills profile. The corporations that have prepared job descriptions have found them very useful. For example, the process itself builds a shared understanding and communication among the players on their respective roles, and the job description helps to outline the nature of the commitment expected when recruiting or orienting new board directors.

Where the government acted on board skills profiles, the appointment better met the board's needs.

18.35 Fewer than half the corporations that do use board skill profiles have found them effective in the selection of directors. Many reported that while they can and do suggest what they need in future appointments, they have no assurance that the government takes their suggestions seriously; many said that the government has not used their profiles at all.

18.36 We reviewed a sample of board appointments to better understand the process. At one extreme, the government made the appointment after consulting only nominally with the board chairman, or not at all. In many cases, the corporations had prepared skills profiles but found that the government did not use them.

18.37 At the other extreme, the corporation's board of directors conducted the search and recruitment and recommended a single name to the government for approval. In some of these cases, the chair vetted the list of potential candidates for those who met the shareholder's requirements.

18.38 In between these two extremes, the government led the search and actively consulted with the board. The corporations developed board profiles that they believed the government used. In these cases, the chair had a good relationship with the minister, a factor that appeared to smooth the appointment process.

18.39 We found that meetings between the key players were also valuable in communicating the board's desired mix of skills and capabilities that should be sought in filling upcoming vacancies. For example, some board chairs took the initiative to meet with the Prime Minister's Office and the Privy Council Office in advance of a board vacancy to discuss the needs of the board, in keeping with the Treasury Board guidelines.

18.40 Overall, we found that where the government acted on the board's profiles and stated requirements, the appointment better met the board's needs. For example, in some situations the minister sent the resumés of possible candidates to the corporation for consideration and acted on the corporation's assessment of them when selecting board directors. Too often, however, the corporation had not assessed its requirements for skills and capabilities and the government did not consult the board, which led to frustration, unmet needs, and a weakened board.

18.41 Other industrialized countries are ahead of Canada in their practices of appointing board directors. In New Zealand, for example, the objective in selecting directors is to ensure that the board has the necessary skills to enhance the corporation's performance and the interaction and operations of the board, and to ensure that the appointment is consistent with the corporation's strategic direction and its needs. The process reinforces the minister's role in identifying the skills needed in a particular position on a Crown corporation board, appointing a suitable candidate, and reviewing the performance of the directors and the board. It begins with agreement between the minister and the corporation on a board skills profile and it ends with the appointment of the selected candidate, after consultation and/or interviews with the corporation, the

responsible minister and the Minister of Finance. This is followed by the induction of the appointee. New Zealand publishes an outline of the key competencies required in directors. For example, preference is given to candidates who have experience in one or more of the following:

- governance in a significant organization with a commercial focus;
- chief executive or senior management positions in an organization with commercial attributes;
- senior positions in relevant professional disciplines, such as science, technology, finance, law, health, agriculture, and social policy; and
- related governance or management positions in community or professional organizations.

18.42 The United Kingdom has a Commissioner for Public Appointments, whose objective is to manage an appointment process that will merit the confidence of candidates and the public. The government requires that the process be efficient, transparent, and based on merit. The process incorporates a number of procedures and principles such as scrutiny by an independent assessor, transparency and openness, and proportionality (which means the appointment process is appropriate to the nature of the post and the magnitude of its responsibilities). All stages of the process are subject to audit. No one is appointed to a public body without some form of interview, and candidates must answer a question about their political activities, to provide transparency and to identify related skills and experience that could be useful and that may demonstrate commitment. The government states that political activity and affiliation are normally not criteria for appointment.

18.43 Two recently created Crown corporations in Canada have adopted the practice of appointing a nominating committee to identify director candidates, a model that could be used more widely.

18.44 Each Crown corporation should develop a board skills profile. The chair, on behalf of the board, should communicate the profile to the responsible minister, the Privy Council Office and the Prime Minister's Office, as well as the board's specific skills and capability requirements for upcoming vacancies. The government should act on these stated requirements in its selection of directors.

18.45 Each responsible minister and the corporation should reach an understanding on how the board will be engaged in the selection and appointment of directors.

A need to maintain continuity and experience on boards of directors

18.46 We analyzed appointments made to 15 Crown corporation boards from 1996 through 2000. We drew our data from appointment guides published by the Privy Council Office, outlining the terms and conditions for all appointments approved by the Governor in Council.

More directors are serving on Crown corporation boards for longer periods.

18.47 The *FAA* states that directors can be appointed to terms of up to three years, and reappointed if desired. It provides for directors to continue serving after their terms have expired until either they are reappointed or a new appointment is made. This provision ensures that boards can continue to function, even if there are delays in the appointment process.

18.48 The length of time directors serve is improving, but still too short. Most directors of Crown corporations are appointed to the maximum three-year term allowed for by the *FAA*, although there have been some terms of one and two years. The biggest factor in the length of time a director serves on the board is not the length of the term but rather the number of reappointments. There are positive signs that indicate some

improvement. More directors are serving on Crown corporation boards for longer periods, which means that the number of reappointments is increasing.
Sixty-four percent of incumbents eligible for reappointment have been reappointed for at least a second term. This higher rate of reappointment has helped to increase the average duration of service by directors, from 3.9 years in 1997 to 4.6 years in 2000. However, length of service still lags behind the private sector where, according to the Conference Board of Canada, directors serve an average of 7.7 years.

18.49 Appointment decisions are not timely. Crown corporations report that a serious problem impacting on board continuity and stability is the length of time it takes to decide on many appointments. The amount of time from the date a director's term expires to the date of reappointment or appointment of a new director is called the "expired period."

There is a need for better director training.

18.50 We examined 79 appointments whose terms had expired over the last five years. While in 2000 the average expired period was five months, in 70 percent of the corporations in our sample it was longer than six months — and longer than a year in half of them. In one Crown corporation, 80 percent of the directors have continued in expired positions for over a year, and the chair position is vacant.

18.51 Appointment terms are unevenly staggered. In 6 of the 15 Crown corporations in our sample, the current terms of more than 50 percent of the board directors will expire in a single year — and as many as 80 percent in two corporations. The *FAA* requires that as far as possible no more than 50 percent of a board's director positions should expire in any one year. Coupled with the slow process of deciding on appointments, this kind of turnover leaves many boards with considerable uncertainty about their composition. Expiry dates need to be staggered evenly to ensure that continuity of expertise and corporate memory is not compromised.

18.52 The government should decide on Crown corporation director appointments on a timely basis, improve the staggering of term expiry dates and increase the length of service of qualified directors.

Other factors affect board functioning

18.53 Past reports of the Auditor General have observed that new directors were not adequately briefed on their duties. Despite some improvement, the situation today is similar. Crown corporations generally provide orientation sessions for new directors, and some urge their directors to attend external training sessions. However, there is a need for training in the director's responsibilities to the corporation, the corporation's relationship with the government, compensation policies for Crown corporation executives, and board procedures. There is a need to professionalize the role of directors, many of whom have had no previous experience on boards of any kind.

18.54 The government, with Crown corporations, should ensure that newly appointed directors are provided with adequate orientation and training in their responsibilities to the corporation, the corporation's relationship with the government, compensation policies for Crown corporation executives, and board procedures.

18.55 Senior government officials and some Crown corporations have raised questions and concerns about the appointment of public servants, particularly deputy ministers of federal government departments, to boards of directors of Crown corporations. These appointments pose particular challenges for the individuals as well as for the boards on which they serve. The Treasury Board guidelines point out that the

knowledge and expertise of deputy ministers can assist the board in better appreciating government policy. Similarly, participation as a member of the board of directors improves the deputy minister's understanding of the corporation. Crown corporations have raised other issues about public servants on their boards of directors, including attendance records (particularly for deputy ministers), a concern that some boards include too many public servants, and a practice by some deputy ministers of periodically sending a substitute to a board meeting. The deputy minister sits on the board not as a source of direction from the minister but with the same statutory obligations as other directors. Yet some corporations report that other directors sometimes defer to the deputy minister because they believe he or she is a direct spokesperson for the government. Some are also concerned about the potential for conflict between the individual's dual roles as director and as deputy minister. It is important that deputy ministers be particularly sensitive to these issues. The role and attendance of public servants on Crown corporation boards of directors needs ongoing, close monitoring.

Chair appointments often made with limited board consultation

18.56 The chair of a Crown corporation acts as the formal link between the minister and the corporation. The chair manages the affairs of the board of directors and is not a part of the corporation's management.

18.57 Under the *FAA*, the Governor in Council has the authority to appoint and fire the chair, and to fix the compensation. The Act also provides for the board to influence the appointment, through a provision that requires the responsible minister to consult with it. The chairs, CEOs and directors we interviewed said that the board needs to play an active role in the chair's appointment, including assessing board needs and profiling skills. We expected to find that the government consulted meaningfully with the board as a whole.

18.58 Many of the corporations in our sample report that there has been limited consultation with the board, if any, on the selection and appointment of the chair.

18.59 The government should ensure that it consults with boards of directors of Crown corporations on chair selection and appointment.

Appointment of the chief executive officer is a key factor in corporate governance

18.60 The key to good management of a corporation is the chief executive officer (CEO). The *FAA* gives the Governor in Council the authority to appoint and fire the CEO and to fix remuneration. The Act also provides for the board to influence the CEO's appointment, in requiring that the responsible minister consult with the board. The board has the authority to evaluate the CEO's performance.

18.61 The Treasury Board guidelines on corporate governance in Crown corporations stress the importance of the relationship between the CEO and the board:

> In a Crown corporation, the nature of the relationship between the CEO and the board is often critical. The board must work with the CEO to build a relationship of openness and trust.... An important aspect...is to establish a clear accountability relationship for the CEO to the board....

18.62 In the private sector, this accountability relationship is achieved by virtue of the board's power to hire and fire the CEO and fix remuneration. Those powers are critical to good governance in any corporation. But some have pointed to an accountability dilemma in Crown corporations. After far-reaching consultation and research, the Public Policy Forum's 1998 study concluded, "The lack of hire, fire and pay powers

There must be a clear accountability relationship between the CEO and the board.

Many Crown corporation CEOs are quite candid in seeing that their essential accountability lies with the government and not with the board.

over the president deprives Crown boards of the most powerful accountability lever exercised by private sector boards." The Public Policy Forum report added that many Crown corporation CEOs do not feel accountable to their boards. It said, "Many Crown presidents, while paying lip service to the valuable advice they receive from their boards, are quite candid in seeing that their essential accountability lies with the government and particularly with those at the centre of it."

18.63 Research by the Conference Board of Canada indicates that 90 percent of Crown corporations hold the view that boards must be involved in the final selection of the CEO. This is perceived as the most significant issue in Crown corporation governance. Asked what one thing they would change in the selection and appointment process, Crown corporations overwhelmingly said they would increase the board's involvement in the selection of directors and the CEO.

18.64 In our view, the CEO appointment process ought to be measured by more than the strength of the CEO selected. The appointment also needs to reinforce the CEO's accountability relationship with the board, while preserving the appointment prerogative of the Governor in Council. For example, if a strong CEO is selected but the chair and the board lack confidence in the process that led to that selection, then the single most important relationship in the corporation — between the chair and the CEO — can begin with doubts and a lack of trust.

18.65 We noted the use of three different models in recent appointments of CEOs to Canada's Crown corporations. The models varied in approach, as did the way each applied the requirement for "consultation with the board":

- **"Centre selects" model.** The identifying feature of this model was that the government not only controlled the search for the new CEO but also made the selection without meaningful consultation and buy-in from the board and the chair. In effect, the corporation was told who the CEO would be.

- **"Centre searches" model.** In this model, the government ran the CEO search and recruitment process, but made the selection only after meaningful consultation with and buy-in from the chair as proxy for the board. The chair was a member of the search committee, along with representatives of the Privy Council Office (PCO), the Prime Minister's Office (PMO) and the responsible minister. The search committee established the selection criteria, in some cases using the board's input, and conducted the interviews. The board had no direct role, but in some cases the chair went back to the board for input on the shortlist of candidates. The PMO advertised the position and accepted candidates' applications. The search committee conducted the initial screening of applicants. The PMO confirmed the selection of the candidate recommended by the search committee.

- **"Board searches" model.** Under this model, the Crown corporation led the CEO search process through either a search committee or the board. The board asked the PCO and the PMO to suggest any additional candidates, and recommended a shortlist to the government. Candidates were interviewed by the board and then by the minister. The government made the final selection of the CEO.

18.66 The literature and best practices show conclusively that active and independent board governance leads to stronger corporate performance. When the board has no meaningful involvement in the selection of the CEO, problems of accountability can arise between them. In many industrialized countries, boards play a leading role in the search for their CEO, not just in private sector firms but in

state-owned enterprises that are comparable with Crown corporations.

18.67 Our interviews with a sample of chairs, CEOs and directors of the Crown corporations involved in the three CEO appointment models we have described confirmed that they strongly and consistently favour a greater role for the board in the CEO search and selection process. They rated the three appointment models in terms of governance effectiveness.

"Centre selects" model found least favour

18.68 The Crown corporation leaders we interviewed, including (perhaps surprisingly) the CEOs themselves, rated the "centre selects" model the worst of the three by far. It is also the model furthest from good governance practices. Chairs and directors whose CEO was selected by the "centre selects" model said unequivocally that the exclusion of their chair and board members in the CEO's selection had led to serious governance problems.

18.69 CEOs selected by this process quickly understand that their true accountability is to the government and not to their board. They acknowledge that they gain access and influence with the centre of government when the government alone drives the selection process. However, this very access compromises the board's capacity to govern. Lack of government consultation with the board on the CEO selection often amounts to lack of buy-in and the creation of a rift between the board and the CEO before he or she even takes office. Our interviews with Crown corporation leaders indicate that the CEO must perceive that the board has real power and is leading the selection process if the accountability relationship between the CEO and the board is to be effective.

"Centre searches" model got mixed reviews

18.70 Some see the "centre searches" as the new model for CEO selection. However, while board chairs and the government viewed it favourably, we found that CEOs and directors were less supportive. The model has some definite strengths. The board chair is on the search committee along with the other key players — the Prime Minister's Office, the minister's office, and the Privy Council Office; the PCO and the PMO have solid experience in carrying out a search process. This model also helps to build relationships among the players.

18.71 The model has some fundamental weaknesses, however. First, board directors state that they have had no meaningful involvement in the CEO's selection under this model. The Crown corporation's involvement through the chair as sole proxy, while an improvement over the "centre selects" model, is still limited. This model does not effectively engage the board as a whole in the search process. As a result, the board may be less committed to the selected candidate. Second — and this is key — the candidates see that the PCO, the PMO and the minister's office dominate the process: they advertise for candidates and candidates respond to them. Third, three of the four participants on the search committee represent the government, giving it the balance of power in selecting the candidate. Overall, the "centre searches" model does not go far enough and we would view it as a transitional model.

"Board searches" model seen as the most effective

18.72 The model rated the most effective by chairs, CEOs and directors was the "board searches" model. That they see it as supporting good governance and a strong accountability relationship between the board and the CEO is clear from the following comments:

CEOs, chairs and directors see the "board searches" model as supporting good governance.

The government needs to move toward a process in which the Governor in Council selects the CEO from board-recommended candidates.

> It worked, it included all levels in the process....
>
> If the board is to fulfil its mandate, it must be given a major role in CEO recruitment.
>
> Excellent model not only in terms of the result but also for board buy-in and the support of the new CEO. The most important role of a board is to hire, retain, evaluate and compensate the CEO — often taken out of our hands by the shareholder.

18.73 The "board searches" model is the most consistent with best practices in comparable organizations. Also, chairs, CEOs and directors have reported strong mutual trust and respect among all corporate players and with the government when this model is used.

18.74 The enabling legislation of some Crown corporations includes a "board searches" model. It gives the corporation the statutory authority to appoint the chief executive officer, with the approval of the Governor in Council.

A transition strategy may be necessary

18.75 It has been argued that at present, some Crown corporation boards are not strong enough to conduct the search for a CEO along the lines of the "board searches" model. We recognize that many boards lack key capabilities and, as a result, difficulties have sometimes developed when the "board searches" model has been used. In our view, the solution is for the government to move toward a "board searches" model in which the Governor in Council selects the CEO from a slate of board-recommended candidates as the government undertakes to strengthen Crown corporation boards.

18.76 The move to a "board searches" model calls for a transitional strategy that could be adapted to meet the particular needs of each Crown corporation. The extent of government support and involvement or external expertise could vary, depending on a board's capability at any given time; an interim approach could be used to involve the board more directly as it develops the capacity to carry out a "board searches" model. For example, the "centre searches" model could be adapted to include members of the board's search committee along with the chair and representatives of the PMO, the PCO, and the minister's office. Or a committee of the board could interview and make recommendations on a shortlist of candidates selected by the chair, the PMO, the PCO, and the minister's representative. In addition, boards may require some training in how to conduct an effective CEO search process.

18.77 The government remains ultimately accountable for the performance of a Crown corporation, and the *FAA* gives the Governor in Council the authority to appoint, fire and remunerate the CEO. None of this changes with a "board searches" model; the difference lies in who is seen by candidates and the corporation to be leading the process. The government would need to work closely with the corporation and remain directly involved at each stage of the process, contributing selection criteria, for instance, and suggesting potential candidates.

18.78 The board of directors of a Crown corporation, in direct consultation with the minister, the Prime Minister's Office and the Privy Council Office, should lead the process of selecting the corporation's chief executive officer for approval by the Governor in Council. A transition strategy should be used where a board does not yet have the capability to carry out this approach.

18.79 In each case, the responsible minister, the Crown corporation, the Prime Minister's Office and the Privy Council Office should reach an understanding on the respective roles of the board and the government in selecting and appointing the CEO.

Importance of the Audit Committee

18.80 The audit committee is a core committee of a corporation's board of directors. It represents the "engine" of a well-functioning board. Given the rapidly increasing scope and importance of its role, the audit committee's effectiveness is attracting greater attention in the corporate world.

18.81 An audit committee that operates effectively can bring significant benefits to the corporation. It can help to:

- improve the quality of financial reporting;
- ensure that key corporate risks are identified and managed adequately;
- strengthen the internal audit function;
- enable the directors to contribute their independent judgment and play a positive role in overseeing the corporation's business operations;
- facilitate better communication among management, directors and internal and external auditors;
- reinforce the independence of the internal and external auditors;
- create a climate of discipline and control that will reduce the opportunity for fraud;
- increase stakeholder confidence in the credibility and objectivity of corporate performance reports; and
- obtain greater assurance that assets are protected and resources are managed economically, efficiently and effectively.

18.82 The *FAA* specifically charges each parent Crown corporation to establish an audit committee. The committee's legislated responsibilities are to oversee internal audit; review and advise the board of directors on the financial statements, the annual auditor's report and the special examination plan and report; and perform other functions delegated to it by the board. However, the audit committee usually assumes oversight responsibilities well beyond these duties. It is expected to oversee the management of a wide range of financial and non-financial risks that affect the corporation.

18.83 We looked at the performance of 14 Crown corporation audit committees. We compared their practices with a dozen recognized best practices (see Exhibit 18.2), to provide a basis for future self-assessment and to identify potential for improvement in their performance. We used a combination of document review and our own observations to assess their effectiveness, given that the Auditor General is the statutory auditor of most Crown corporations (the complete list of best practices is provided in Appendix D).

18.84 We expected that audit committees would have the appropriate skills and experience to carry out their role and their duties effectively. Because the best practices we selected for comparison are viewed as key practices and are consistent with existing *FAA* requirements, we expected that Crown corporations would be using many of them. However, this is not what we found.

An audit committee that operates effectively can bring significant benefits to the corporation.

Half of the audit committees we examined were considered ineffective or only marginally effective.

Half of the audit committees were operating below an effective level

18.85 Half of the audit committees we examined were considered ineffective or only marginally effective. Of the 14 committees, we found that:

- only one followed most of the best practices and was performing effectively;
- six followed many of the best practices and were reasonably effective;
- five others used only some of the best practices and were only marginally effective; and

Exhibit 18.2

Selected Best Practices for Audit Committees

Audit Committee Responsibilities

The audit committee should ensure financial oversight by:

- critically reviewing the interim and annual financial statements, the auditor's report and the management discussion and analysis section of the annual report; and
- actively soliciting the external auditor's judgments about not only the acceptability but the quality of the corporation's accounting principles as applied in its financial reporting. This discussion should include such issues as the clarity of financial disclosure and the aggressiveness or conservatism of the corporation's accounting principles and estimates.

The audit committee should ensure oversight of corporate books, records, financial and management control and information systems, and management practices by:

- reviewing the special examination plan and report prepared by the external examiner;
- actively soliciting information about significant risks and exposures and reviewing the adequacy of internal controls to manage those risks;
- reviewing the integrity and effectiveness of the management information systems;
- reviewing internal audit plans and reports and management's subsequent actions; and
- reviewing significant findings and recommendations made by the external auditor and examiner and following up on management's subsequent actions.

The audit committee should:

- ensure ethical oversight through the annual review of management's compliance with the corporate code of conduct; and
- actively solicit all sensitive information (for example, senior management expenses, significant litigation, non-compliance with laws and regulations, misuse of corporate assets, illegal activities).

Membership and Competencies

The audit committee should be composed of at least three directors, the majority of whom should not be officers or employees of the corporation.

Although a variety of skills and experience is beneficial to an effective and balanced audit committee, all members should be financially literate and at least one member should have accounting or related financial management expertise. Financial "literacy" signifies the ability to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement, and the ability to ask probing questions about the corporation's financial risks and accounting. "Expertise" signifies past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the individual's financial sophistication (experience as a chief executive officer (CEO), for example, or other senior officer with financial oversight responsibilities).

Operating Procedures

Terms of reference. Audit committees should have clear, written terms of reference and operating procedures that specify the scope of the committee's responsibilities and how it carries them out, including its structure, processes, and membership requirements.

Meetings. The frequency of audit committee meetings should be tailored to the responsibilities assigned, but should be at least quarterly. The audit committee should also meet periodically with management, the external auditor and the head of internal audit, in separate private sessions.

- two were ineffective, despite using some of the best practices.

The results demonstrate that the more best practices an audit committee uses, the more effective it is likely to be.

Key gaps in practices

18.86 Financial literacy and accounting expertise. The competencies and experiences of its members are an important factor in the audit committee's effectiveness. Our assessment raised some important concerns:

- There were three audit committees with at least one member who was not financially literate, and on one audit committee most members were not financially literate. Best practice recommends all members have the ability to read and understand fundamental financial statements and the ability to ask probing questions about the corporation's financial risks and accounting.

- Two audit committees had no members with any accounting or financial management expertise. Best practice recommends at least one member have professional certification in accounting, or experience that leads to financial sophistication — employment as a CEO or senior financial officer, for example.

18.87 Financial oversight responsibilities. A review of committee minutes indicated that audit committees generally follow only some of the best practices for ensuring financial oversight. Only two audit committees were following most of the best practices, including performing a critical review of interim and annual financial statements and the management discussion and analysis section of the annual report, soliciting the external auditor's views on the quality of the corporation's accounting principles, reviewing the external auditor's significant findings and recommendations, and following up on corrective action by management.

18.88 Crown corporation audit committees generally review internal audit plans and reports and the action taken in response to them by management. However, only three audit committees we looked at considered the integrity and effectiveness of management information systems, through brief discussion of corporate performance indicators.

18.89 Operating procedures. The effectiveness of its communications with management and with the internal and external auditors is a factor in the effectiveness of the audit committee itself. Best practices include periodic private meetings with the auditors to give the audit committee a degree of independence from management and a further opportunity to freely ask probing questions. Only four of the audit committees were holding private sessions with the external auditor, and these varied in frequency.

18.90 The audit committee of each Crown corporation should assess the extent to which it follows recognized best practices in order to identify areas that need improvement, and should take appropriate corrective action as necessary. It should seek input to this assessment from the internal audit group and the external auditor.

Approving Corporate Plans and Ensuring Mandate Relevance

The corporate plan is the cornerstone of the control and accountability framework

18.91 The Crown corporation has a key role in interpreting the mandate set out in its enabling legislation. The board of directors oversees the determination of the corporation's core business and activities, its objectives for a five-year period and its strategy for achieving them, and the indicators and targets it will use to measure success. It must determine how it will balance its commercial objectives

The Crown corporation has a key role in interpreting its mandate.

The deficiencies in corporate plans undermine Crown corporation accountability.

with its public policy objectives, and the trade-offs required to achieve that balance. For example, a corporation may need to strike a balance between services that are needed but will not produce profit and services that are targeted more commercially and generate profit. The corporation also needs to consider how it can contribute to government priorities and initiatives while still ensuring that its activities are consistent with its mandate. It must address all of these issues in a corporate plan that the *FAA* requires it to produce. Government approval of that plan is required for Crown corporations under Part X of the *FAA*. The corporate plan is the cornerstone of the control and accountability framework for Crown corporations. Where the government wishes to provide specific direction to a corporation, it may do so by directive powers under the *FAA*, subject to certain statutory limitations.

18.92 The government is required to review the corporate plan before approving it in order to ensure that each Crown corporation's strategy maximizes the achievement of its mandate. We expected that the government's review and challenge would be rigorous, asking questions like the following:

- Has the corporation properly interpreted its mandate?
- Are the corporation's objectives, strategies and targets appropriate and do its performance indicators provide a strong basis for holding it to account?
- Are the trade-offs the corporation has made between its commercial objectives and its public policy objectives reasonable?
- Do its performance targets sufficiently "stretch" the corporation?
- Has the plan taken government priorities into account?
- Is the corporation capitalized appropriately, and are targets for dividends and return on equity appropriate?
- Has the corporation met its past performance targets?
- Is there a need to assess whether the corporation's mandate is still relevant?

Many deficient corporate plans are approved, and the government has limited capacity to challenge them

18.93 Our special examinations have found that there are significant deficiencies in some 38 percent of government-approved corporate plans, and less serious problems in a further 28 percent. Problems include any or all of the following:

- absence of long-term plans;
- unclear or non-existent corporate objectives, targets, goals and business strategies, as well as weak action plans; and
- little information by which to judge whether the corporation is achieving its objectives.

18.94 These weaknesses undermine the corporate plan as a basis for ensuring that performance and accountability are maximized and the government's objectives taken into account. They also indicate that the government's process for approving corporate plans is deficient in challenging Crown corporations to achieve optimal performance.

18.95 Crown corporation chairs and CEOs advised us that the government gave them little or no feedback on their corporate plans. They commented, "It was not always clear what the shareholder expected from its Crown corporations....It was too often a one-way street, with Crown corporations always feeding the system about what they were doing, but not hearing back from the shareholder about what they ought to be doing." The Public Policy Forum's 1998 report echoed

that conclusion, noting, "There is little discussion about these corporate plans, and the plans themselves become more ritualistic than real in addressing the challenges and choices facing Crown corporations."

18.96 To determine why these problems exist, we looked at whether the government (responsible minister, Treasury Board and Department of Finance) has the capacity for rigorous review and challenge of corporate plans as a basis for their approval.

18.97 **Minister's review.** The responsible minister provides the first government review of a corporate plan. We found that many corporations receive little or no feedback on their corporate plan from their responsible minister. Yet Treasury Board guidelines say that the annual submission of the plan is meant to be a regular medium for the board and the responsible minister to clarify their respective appreciation of the corporation's objectives. Generally, ministers have not responded formally to the corporate plan with an indication of areas of agreement as well as differences. The lack of formal communication is less troublesome when there is ongoing discussion between the minister and the Crown corporation. Half of the corporations we examined had a regular ongoing relationship with the minister. However, the other half saw their minister rarely, if ever, even when they requested a meeting and even when there were long-standing, unresolved issues.

18.98 Crown corporations themselves could do more to be aware of the government's concerns and priorities. For example, they could strengthen contacts with deputy ministers, ministerial staff or other officials to seek a better understanding of the government's objectives.

18.99 The government could also do more. The government itself has acknowledged the need to improve communication. Government policy positions developed in 1982 stated:

> To improve communication, the government will institutionalize the concept of an annual shareholder's meeting. Annually, each Minister as trustee owner, will meet with boards of directors to formally review corporate performance and to communicate specific government objectives to the board. This will not impede informal communication between the appropriate Minister and the corporation, but will underline the Minister's responsibility to ensure that the chairman and board of directors of the corporation are kept fully informed of government objectives and that the board's accountability to the government is maintained (Treasury Board of Canada, Policy Statement, 30 June 1982).

Many Crown corporations receive little or no feedback on their corporate plans from their responsible minister.

18.100 To properly exercise his or her responsibilities for a Crown corporation, the responsible minister must be able to obtain and rely on the related department's advice. Government policy positions in 1982 also stated:

> To enhance its shareholder capability the government will improve or establish, where appropriate, machinery to assist Ministers with primary responsibility for wholly owned corporations. What is needed is…the establishment of effective support for Ministers…to provide needed direction, control and accountability.…The government will seek to ensure that appropriate procedures and mechanisms exist to co-ordinate review and approval of corporate submissions, in order that the government might respond to such submissions in a thorough and timely manner.…Specialized units have been, or now will be, established to assist Ministers in the performance of trustee shareholder or proprietor duties. Such units will have a direct reporting link to the Minister and his or her Deputy Minister. These arrangements will be developed to ensure that effective communication

between appropriate Ministers and corporate boards is maintained or enhanced (Treasury Board of Canada, Policy Statement, 30 June 1982).

18.101 We found that many departments lack the capacity to support ministers in their responsibilities for Crown corporations. Policy groups in departments have played only a limited role, for various reasons. In some cases, the activities of the department and those of the corporation share little or no common ground. Some Crown corporations reported that departments lack knowledge about the commercial dimension of Crown corporations.

Review by the Treasury Board and the Department of Finance is key to approving corporate plans.

18.102 Portfolio management represents the government's most recent effort to increase departmental capacity in this area. The minister is asked to ensure that all organizations under his or her authority work together to support the minister and the government's policies and programs. The Privy Council Office's Advice to Ministers on Portfolio Management stresses that portfolio management must continue to respect the arm's-length relationship between a Crown corporation and its responsible minister, the corporation's purpose as an instrument of public policy, and in some cases, the ability of the corporation to compete in the marketplace.

18.103 We found that portfolio management groups have generally not been active in supporting the ministers' challenge and review of corporate plans. Only one of the portfolio management groups has advised the minister on whether or not to approve corporate plans.

18.104 Portfolio management groups need to be sensitive to and respect the independence and autonomy of the board of directors in overseeing the management of Crown corporations. Their comments on corporate plans need to be at a strategic level.

18.105 At the same time, we saw some good practices that could be applied more broadly, as Exhibit 18.3 shows.

18.106 Review by Treasury Board and Department of Finance. After reviewing the corporate plan, the minister recommends it to the Treasury Board for approval; the Department of Finance also reviews it, if necessary. The Treasury Board looks at the strategic direction of each Crown corporation and the financial decisions or recommendations proposed by the responsible minister. It also approves the capital budget, certain transactions, and for most corporations, the operating budget. The Minister of Finance is responsible for the terms and conditions of borrowing plans and for directing that any surplus money held by a corporation be paid into the Consolidated Revenue Fund, with the concurrence of the responsible minister and the Governor in Council.

18.107 We found that some Treasury Board Secretariat analysts have challenged Crown corporations to set more demanding objectives and targets, and this has produced better plans. Generally, however, Crown corporations

Exhibit 18.3

Good Practices From Portfolio Management Groups

- Some have regular meetings of the deputy minister and chief executive officers (CEOs), and the minister and chairs or CEOs, to discuss common issues and objectives.
- One minister wrote letters to a corporation about government priorities.
- One portfolio management group reviewed draft corporate plans, gave comments to the corporations and advised the minister on whether to recommend approval of the corporate plans. This group is considering the possibility of introducing a written response to corporate plans from the minister and an appointment letter to newly appointed chairs, indicating the government's priorities.

report that Treasury Board Secretariat analysts often pay too little attention to major strategic issues and too much to minor issues related to funding. Crown corporations also report that some Secretariat analysts have lacked an understanding of the corporation and the commercial environment in which it operates, and did not know how to read financial statements. We noted that a number of the analysts are at junior levels and many have had no previous experience with Crown corporations. Treasury Board officials advise that resource reductions due to Program Review, and a less focussed specialization in Crown corporations, may have contributed to this situation. While the Treasury Board and the Department of Finance have promoted a team approach, it is not clear which one is assessing the capital structure of the large financial corporations; neither undertakes that role systematically. In light of the structural changes within the Treasury Board Secretariat and Finance and the introduction of portfolio management, there is a need to ensure that all the government players understand their respective roles and responsibilities in reviewing and challenging corporate plans.

18.108 Crown corporations should be more proactive in finding ways to obtain information on government priorities and the government's response to their corporate plans.

18.109 To align expectations, each corporation and the responsible minister should reach an understanding on the most effective ways to outline priorities, provide feedback and reach consensus on corporate plan submissions and to maintain ongoing contact between them.

18.110 The government should strengthen its capacity to ensure that its approval of corporate plans is based on a rigorous challenge and review. It should strengthen departmental capacity to support ministers in their responsibilities for Crown corporations, and should ensure that all government players understand their respective roles and responsibilities in approving corporate plans.

Need for a more systematic review of corporation mandates

18.111 Periodically, there is a need to consider whether the mandate of a Crown corporation is still relevant. We found that in reviewing corporate plans, Treasury Board Secretariat analysts have sometimes commented on this. In other cases a change in government or minister, a significant change in the economy, or a Crown corporation's request for a legislative change can prompt a review of mandate relevance. Boards of directors clearly have an interest in mandate relevance because the mandate affects the choice of strategic direction and the development of the corporate plan. In all cases, the mandate review is a fundamental assessment of the continuing relevance of a Crown corporation's role. Such reviews generally go well beyond the scope of the annual corporate plan and are vital for ensuring that the corporation remains a cost-effective instrument of public policy.

Periodically, there is a need to consider whether the mandate is still relevant.

18.112 A decision to proceed with a mandate review needs to be based on such factors as an ongoing assessment of changes in the operating environment; an expressed need to make changes; a request by the corporation for a mandate review or for legislative amendments that affect the corporation's mandate; or an unresolved conflict related to the mandate that is holding up the shareholder's approval of the corporate plan.

18.113 We expected to find that mandate reviews are carried out regularly, reported to all parties in the accountability framework, and engage all parties concerned, including Parliament. What we found however, is that only two

corporations are required by their respective enabling legislation to undergo periodic mandate reviews.

18.114 We found that mandate reviews have been carried out by a corporation or the responsible minister's department on a generally ad hoc basis. Those done by the corporation were not always brought to the attention of the Treasury Board, the minister, or Parliament; nor did they engage all of the parties concerned, including Parliament, or address all of the relevant issues. Mandate reviews led by the minister, and supported by outside expertise as necessary, have a better record of engaging all parties and bringing out issues that may not be identified in a review conducted by the corporation itself. We note that a legislative provision for mandate review ensured that it was carried out when otherwise it might not have been.

18.115 We noted that some parliamentary committees have held hearings on the relevance of Crown corporation mandates. In one case, a parliamentary committee had a major impact on the corporation's move toward providing more service to a group that is a government priority. Generally, however, Parliament has little direct involvement with Crown corporations. It could take more opportunity to meet with Crown corporations and have them account for their results.

18.116 The government could consider the following guidelines for conducting mandate reviews:

- Each review assesses the current validity of the mandate, the continuing need for the corporation, and its record of cost-effective performance in meeting the needs implicit in the mandate.

- Mandate reviews are led by the minister and supported by outside expertise as necessary.

- The corporation provides input to the minister-led review, but does not conduct it or contract a third party to undertake it.

- The minister, in consultation with the corporation and central agencies, determines the terms of reference for the review with a focus on the critical elements of the mandate. It may be appropriate to limit the scope of some reviews to particular aspects of the mandate.

- Any third party contracted to conduct the review consults extensively with all parties concerned, inside and outside government.

- The results of mandate reviews are shared with all parties in the accountability framework — corporate management, the board, Treasury Board, the Department of Finance, the responsible minister and Parliament.

- Parliament conducts hearings on the results of mandate reviews, as appropriate.

18.117 The government should systematically consider, at least every 10 years, whether a review of each Crown corporation's mandate is warranted. This should be triggered by regulation or some other mechanism. The government should develop guidelines for conducting mandate reviews, and should ensure that the results of the mandate reviews are transparent and reported to all parties in the accountability framework.

Governance Protocol Between Ministers and Crown Corporations

18.118 In previous sections of this chapter we have cited the need for dialogue to reach an understanding between each Crown corporation and the responsible minister on the implementation of key aspects of governance, including:

- how the board of directors will be involved in the appointment of the board, the chair and the CEO;

- how the government will communicate any issues it wants a Crown corporation to take into account in its corporate plan;

- mechanisms for ministerial feedback on the corporate plan; and

- procedures for handling ad hoc issues and maintaining ongoing contact between ministers and corporations.

18.119 In addition, the dialogue could cover elements such as:

- expectations for performance monitoring;

- performance evaluations of boards and CEOs and their remuneration; and

- potential conflicts of interest.

18.120 Each minister's situation is unique, and strategies need to reflect the minister's needs and demands as well as the needs of the corporation. Each time there is a change of minister or a new chair is to be appointed, the agreement would be reconsidered and reviewed. The key to success for both parties would be managing expectations. As a means of confirming the agreement, the chair of the corporation could record his or her understanding of the agreement in writing and the minister could outline the agreement in a letter upon the chair's appointment. The agreement thus documented would constitute a governance protocol. Prospective new board members would be given a copy of the protocol. A protocol that gave the board a meaningful role would help attract strong board members, and this would serve the interests of both the corporation and the government.

18.121 Each Crown corporation and the responsible minister should reach a common understanding on the implementation of key aspects of governance, and they should record that understanding.

Conclusion

18.122 The management of Crown corporations has improved in the 15 years since the *Financial Administration Act* was amended to introduce a strengthened Crown corporation accountability regime. The results of our special examinations bear this out. Nevertheless, further improvement is needed in some important areas of Crown corporation management like strategic and corporate planning and the measurement and reporting of performance.

18.123 Our findings on the process for appointing boards of directors converge with those of other studies to confirm that there is a need for the federal government to revisit and strengthen the process. Boards of directors are responsible for the affairs of the corporation. Yet boards lack essential skills and capabilities that are required to effectively carry out their role. The government needs to meaningfully involve boards in their renewal. Boards and the government need to outline their respective skill and capability requirements, and the government needs to act on them. Boards of directors also need to take a more active role in their chairs' selection.

A governance protocol that gave the board a meaningful role would help attract strong board members.

18.124 The government needs to improve the timeliness of its appointment decisions and maintain its progress in extending the average length of time served by qualified directors. This will ensure a nucleus of seasoned directors who can provide institutional knowledge and experience.

18.125 We found that accountability of the chief executive officer to the board is best reinforced when the board takes the lead role in the CEO's selection, with the government providing input and making the final decision. A transition strategy may be needed to reach this goal for some boards that do not yet have the capacity to lead the selection process.

18.126 The effectiveness of audit committees is assuming ever-greater importance. We found that the practices of audit committees need to be strengthened if they are to more effectively discharge their key roles and responsibilities in Crown corporation governance and the financial reporting process. A strengthened audit committee will mean a stronger board of directors.

18.127 The corporate plan is the cornerstone of the control and accountability framework for Crown corporations. We found deficiencies in many government-approved corporate plans, and a limited capacity in government to review and challenge those plans as a basis for their approval. These weaknesses undermine the corporate plan as a basis for ensuring that performance and accountability are optimized and that the government's priorities have been addressed.

18.128 Periodically, there is a need to verify whether the mandate of a Crown corporation is still relevant. Mandate reviews are the standard tool for this. They have proved useful in realigning Crown corporation mandates. We found, however, that the need for mandate reviews needs to be questioned more regularly, the results more widely reported, and the reviews led by the government, with the involvement of Parliament.

18.129 There is a need for dialogue and consensus between each Crown corporation and the responsible minister on how each party will be engaged in implementing key aspects of governance. The board of directors of each Crown corporation and the responsible minister need to document their shared understanding of how these key aspects of governance will be implemented, thereby creating a governance protocol.

18.130 We plan to follow up within two years on the recommendations we have made in this chapter, including those on the quality and composition of boards of directors. We will also review the progress made on the recommendations as we conduct our annual audits and special examinations in individual Crown corporations.

Privy Council Office's response: *Good corporate governance is essential if a Crown corporation is to fulfil its mandate. The government has made strides in a number of corporate governance areas, including improving reappointment statistics (64 percent of incumbents eligible for reappointment are reappointed as directors for a second or third term) and ensuring that appointments reflect Canada's diversity.*

Improved and increased communication among all the interested partners will be a critical factor in addressing concerns identified in the study and in responding to the recommendations put forward. Measures will be examined to address areas needing improvement and to ultimately strengthen corporate governance in Crown corporations.

It is paramount that appointments to Crown corporations result in strong boards of directors and that the appointment process for Crown corporations is inclusive of all interested parties, bearing in mind that appointments to boards of directors of Crown corporations, including those of the chair and the chief executive officer, remain at the discretion of the government.

Crown corporations' responses: It is not practical to obtain the responses of 41 Crown corporations to the recommendations that apply to them directly. However, we did discuss our findings and recommendations with the chairs and CEOs of 10 Crown corporations. Generally, they supported the main messages of the chapter and, for the most part, agreed with the recommendations directed specifically at Crown corporations.



About the Audit

Objectives

The audit sought to assess how well three key governance features of the *Financial Administration Act* (*FAA*) are functioning in Crown corporations. These include the appointment process for directors, CEOs and chairs; the capacity of the government to review and challenge corporate plans and ensure mandate relevance; and the composition, roles and responsibilities and performance of audit committees.

In addition, we wanted to provide a summary of the results of the three cycles of special examinations in Crown corporations.

Scope

The audit scope included a review of the key responsibility and accountability provisions of Part X of the *FAA* and parallel provisions in the enabling legislation of Crown corporations exempted from Part X. We examined the practices of these Crown corporations and the various shareholder players to support the process for appointing directors, chief executive officers (CEOs) and chairs, to review and challenge corporate plans, and to ensure mandate relevance.

We compared these practices with standards and practices of state-owned enterprises in industrialized countries. In addition, we interviewed chairs and CEOs, and examined appointment data from 15 diverse Crown corporations. We also examined the composition, roles and performance of audit committees in the same sample. We further examined recent chair, CEO and director appointments in eight corporations. We used the results of other research, studies, audits and roundtables to provide supporting evidence for our findings. All recommendations were made within the parameters of the existing *FAA* accountability and control framework, and respected the Governor-in-Council authority for appointments.

The chapter also provides a summary of the results of the third cycle of special examinations. Special examinations are a form of value-for-money audit carried out in Crown corporations.

Criteria

The following general audit criteria were applied. We expected that in order to protect the shareholder's interest, to ensure that Crown corporations achieve their public policy objectives effectively and efficiently, and to optimize their commercial objectives:

- There should be timely appointments of qualified board chairs, CEOs and board directors that meet the requirements of the government and the corporation and strengthen the accountability relationships among the board, the CEO and the government.
- Audit committees should be constituted with appropriate skills and experience, carry out necessary roles and responsibilities, and perform their duties effectively, as measured against best practices.
- The government should conduct a robust review and challenge of a corporation's corporate plan, as the basis for the plan's approval.
- There should be assurance that the mandate of each corporation, including its public policy and financial objectives, continues to be relevant.

Audit Team

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Appendix A

List of Crown Corporations by Responsible Minister

Minister Responsible for	Crown Corporation
Agriculture and Agri-Food Canada	Canadian Dairy Commission Farm Credit Corporation
Canadian Heritage	Canada Council* Canadian Broadcasting Corporation* Canadian Film Development Corporation* Canadian Museum of Civilisation Canadian Museum of Nature Canadian Race Relations Foundation* National Arts Centre Corporation* National Capital Commission National Gallery of Canada National Museum of Science and Technology Corporation
Department of Finance	Bank of Canada* Canada Deposit Insurance Corporation Canada Development Investment Corporation CPP Investment Board* Petro-Canada Limited
Fisheries and Oceans	Freshwater Fish Marketing Corporation
Foreign Affairs	International Development Research Centre*
International Trade	Canadian Commercial Corporation Export Development Corporation
Industry Canada	Business Development Bank of Canada Enterprise Cape Breton Corporation Standards Council of Canada
Natural Resources Canada	Atomic Energy of Canada Limited Cape Breton Development Corporation
Public Works and Government Services Canada	Canada Lands Company Limited Canada Mortgage and Housing Corporation Canada Post Corporation Defence Construction (1951) Limited Queens Quay West Land Corporation Royal Canadian Mint
Transport Canada	Atlantic Pilotage Authority Federal Bridge Corporation Ltd., The Great Lakes Pilotage Authority Laurentian Pilotage Authority Marine Atlantic Inc. Pacific Pilotage Authority Ridley Terminals Inc. VIA Rail Canada Inc.
Treasury Board	Public Sector Pension Investment Board*

* Exempt from the accountability framework of the *Financial Administration Act*.

Appendix B

Roles and Responsibilities Under the *Financial Administration Act*

	Crown Corporation		Shareholder			
	Chief Executive Officer (CEO)/ Management	Board	Responsible Minister	Treasury Board, Finance and Privy Council Office (PCO)	Governor in Council	Parliament
Creation, Acquisition, Disposal and Dissolution						
Parents			Recommends	Review		Approves
Subsidiaries			Recommends	Review	Approves	
Appointments						
CEO and Chair		Provides advice	Consults		Appoints	
Other Directors			Appoints		Approves	
Officers of Corporation	Recommends	Appoints				
Remuneration and Other Benefits for Chairs, CEOs and Directors						
Remuneration and Benefits		Approves benefits other than remuneration and recommends CEO performance pay			Approves the rate of remuneration and CEO performance pay	
Directives and Regulations						
Directives			Recommends and tables copy with Parliament		Approves	Receives
Regulations		Requests	Recommends	Recommend	Approves	
Plans, Budgets and Reports						
Corporate Plan	Prepares	Approves submission to Minister	Receives and recommends	Review and recommend	Approves	
Operating Budget	Prepares	Approves submission to Minister	Receives and recommends	Approve		
Capital Budget	Prepares	Approves submission to Minister	Receives and recommends	Approve		

	Crown Corporation		Shareholder			
	Chief Executive Officer (CEO)/ Management	Board	Responsible Minister	Treasury Board, Finance and Privy Council Office (PCO)	Governor in Council	Parliament
Plans, Budgets and Reports (cont'd)						
Summary of Corporate Plan/Budgets	Prepares	Approves submission to Minister	Approves and tables copy with Parliament			Receives
Annual Report	Prepares	Approves and submits to Minister	Receives and tables copy with Parliament	Receive		Receives
Audits						
Internal Audit	Manages	Approves audit plans and receives audit reports				
Annual Auditor's Report	Receives	Receives	Receives		May require other reports	
Special Examination Report		Receives	May receive			May receive

Appendix C

General Information on Special Examinations and Overview of Results

What are special examinations?

A special examination is a type of value-for-money audit of a Crown corporation. It serves to provide an independent opinion to the board of directors on whether the corporation's financial and management control and information systems and management practices have been maintained so as to provide reasonable assurance that:

- the assets of the corporation have been safeguarded and controlled;
- the financial, human and physical resources of the corporation have been managed economically and efficiently; and
- the operations of the corporation have been carried out effectively.

Examining all systems and practices in detail is impractical and costly. Therefore, based on a thorough understanding of the corporation and its operating environment, and on a risk analysis, the examination concentrates on areas of the corporation where any deficiencies that might exist could be significant.

All parent Crown corporations named in Schedule III of Part X of the *Financial Administration Act (FAA)*, and their wholly owned subsidiaries, are subject to special examinations. Crown corporations undergo a special examination every five years. The first five-year cycle of special examinations was conducted between 1984 and 1990, and the second between 1990 and 1996. The third cycle of examinations commenced in 1996 and will be completed by 2001.

How many Crown corporations are subject to special examinations?

Thirty-nine Crown corporations were subject to a special examination during the third cycle. The Office has carried out 29 of 31 examinations to date (two as joint examiner), while private sector practitioners have conducted 8. The results discussed hereunder are based only on the examinations carried out by the Office of the Auditor General.

Our special examination findings indicate that management of Crown corporations is improving. Nevertheless, there are important areas that continue to require further improvement.

Types of opinions reported

The following table sets out the types of opinions reported in all three cycles of special examinations (SEs). A "clean opinion" indicates that no significant deficiencies were reported. "Significant deficiencies" indicate one or more instances where there wasn't reasonable assurance that assets were being safeguarded and controlled, resources managed efficiently and economically, or operations carried out effectively.

Type of Opinion	1st Cycle - 26 SEs	2nd Cycle - 32 SEs	3rd Cycle - 29 SEs
Clean opinion	23%	22%	52%
Significant deficiencies	77%	78%	48%

When comparing results of the third cycle to those of previous cycles, we see a significant improvement in the proportion of special examinations that had clean opinions.

To whom were special examinations reported?

When a special examination contains information that, in the examiner's opinion, should be brought to the attention of the appropriate minister or Parliament, the examiner may do so. (This provision of the *FAA* does not apply to Crown

corporations named in Part 2 of Schedule III of the Act and most exempt Crown corporations.) Reporting beyond the board of directors is usually done when the significant deficiency is beyond the corporation's ability to address on its own, or when significant deficiencies noted in a previous special examination have not been adequately addressed, or when several significant deficiencies have been identified in a corporation's systems and practices. Otherwise, the report is provided to the board of directors only. The following table shows the proportions of special examinations reported to the board and beyond.

Special examinations reported to	1st Cycle	2nd Cycle	3rd Cycle
Board of directors only	81%	63%	76%
Minister	11%	37%	24%
Parliament	8%	-	-

The reduction in the number of reports brought to the attention of the appropriate minister in the third cycle is directly related to the reduction in the number with significant deficiencies; four reports with significant deficiencies that went to the appropriate minister in the second cycle, had clean opinions in the third cycle. The fact remains, however, that one quarter of Crown corporations had significant deficiencies that the examiner felt should be brought to the attention of the appropriate minister.

What significant deficiencies were reported?

The following tables identify the systems and practices where significant deficiencies were found (one significant deficiency may affect more than one system). While only significant deficiencies were identified in first and second cycle special examination reports, third cycle reports also included other important deficiencies that the examiner thought should be reported to the board. For the third cycle, the table identifies the systems and practices where significant deficiencies were found, and gives an additional column combining them with other deficiencies found in the third cycle.

Systems and Practices (Areas)	Percentage of Crown corporations with significant deficiencies in identified areas			Percentage of Crown corporations with both significant and other deficiencies
	1st Cycle	2nd Cycle	3rd Cycle	3rd Cycle
Corporate and strategic planning	50	53	38	66
Performance measurement and reporting	46	53	24	76
Operations	65	44	17	66
Human resources management	42	28	10	62
Asset and facilities management	46	25	7	14
Risk management	15	9	7	14
Environment	8	9	7	21
Marketing	27	22	3	31

Percentage of Crown corporations with significant deficiencies in corporate and strategic planning and/or performance measurement and reporting			
			Includes other deficiencies
1st Cycle	2nd Cycle	3rd Cycle	3rd Cycle
62	78	38	90

The reduction in the systems and practices with significant deficiencies in the third cycle is directly related to the overall reduction in the number of special examinations with significant deficiencies. However, it is still of concern that 38 percent of Crown corporations had significant deficiencies related to corporate and strategic planning and performance measurement and reporting (90 percent had significant and other deficiencies combined). This indicates that these corporations do not:

- have well-articulated corporate visions, values and goals;
- have clearly expressed strategies or action plans to achieve their mission and vision;
- know the extent to which they are achieving their objectives; or
- report adequately on these objectives and strategies to Parliament and government.

Environmental and sustainable development issues in Crown corporations

Of the 29 special examinations of Crown corporations completed so far in the third cycle, 20 included the management of environment and sustainable development issues. Those issues were excluded from the examinations of the 9 other corporations after our survey found no potentially significant environmental risks. Two of the 20 special examinations reported significant deficiencies related to the corporations' systems and practices for the environment and sustainable development. Neither corporation had an environmental management system (a formal environmental policy, environmental objectives, measurable targets, and a process to ensure that environmental and sustainable development considerations are taken into account in decision making).

Some other areas for improvement were identified. These included the need for:

- a more comprehensive environmental management system (for example, a corporation might need to improve information, or to formalize and document existing procedures);
- improved measurement and reporting of environmental performance;
- more training in environmental management; and
- a policy on environmental considerations in the awarding of offshore contracts.

Appendix D

Best Practices Applicable to Federal Crown Corporation Audit Committees

In this appendix, we present a comprehensive list of suggested best practices that are applicable to federal Crown corporations and are complementary to the statutory requirements of audit committees under Part X of the *Financial Administration Act*. These best practices were taken from recent studies and publications in Canada and the U.S., including the *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*, sponsored by the New York Stock Exchange and the National Association of Securities Dealers (1999), as well as various accounting and auditing publications.

We do not suggest that this template of best practices applies equally to all audit committees. Each audit committee should develop and observe guidelines suited to itself and its corporation. Some of these responsibilities may also be assigned to other board committees. However, as part of the audit committee's periodic self-assessment, it should ensure that key oversight responsibilities outlined in the best practices are assumed by it or another board committee.

Audit Committee Best Practices

(Those in **bold** were selected for comparison with current Crown corporation practices, as described in the chapter.)

Audit Committee Responsibilities

The audit committee should:

- ensure oversight of compliance matters by monitoring the corporation's compliance with applicable laws and regulations.
- **ensure financial oversight by:**
  - **critically reviewing** the operational and capital budgets, **interim and annual financial statements, the auditor's report and the management discussion and analysis section of the annual report**; and
  - reviewing the external auditor's audit plans and **actively soliciting his/her judgments about the quality, not just the acceptability, of the corporation's accounting principles as applied in its financial reporting. This discussion should include such issues as the clarity of financial disclosures and the degree of aggressiveness or conservatism of the corporation's accounting principles and estimates.**
- **ensure oversight of corporate books, records, financial and management control and information systems and management practices by:**
  - **reviewing the special examination plan and report prepared by the external examiner;**
  - **actively soliciting information about significant risks and exposures and reviewing the adequacy of internal controls to manage those risks;**
  - **reviewing the integrity and effectiveness of the management information systems;**
  - **reviewing internal audit plans and reports and management's subsequent actions; and**
  - **reviewing significant findings and recommendations made by the external auditor and follow up on management's subsequent actions.**

- confirm the external auditor's independence through the receipt of a formal written statement from the external auditor and through subsequent dialogue about any issues that may impact the objectivity and independence of the auditor.
- **ensure ethical oversight through the annual review of management's compliance with the corporate code of conduct.**
- **actively solicit all sensitive information (for example, senior management expenses, significant litigation, non-compliance with laws and regulations, misuse of corporate assets, illegal activities).**

The audit committee should, where warranted, advise the board of directors about any of these matters.

Membership and Competencies

The audit committee should be composed of at least three directors, the majority of whom should not be officers or employees of the corporation. Audit committee members must have a significant degree of commitment to the corporation that they take adequate time for meeting preparation, near-perfect meeting attendance, and ongoing education about the corporation's business and environment and topical issues.

Good governance dictates that the board be composed of individuals with certain personal characteristics such as integrity, strategic thinking, and the ability to ask probing questions. Ideally, audit committee members would be the most qualified and experienced directors on the board.

Although a variety of skills and experience is beneficial to an effective and balanced audit committee, all members should be financially literate and at least one member should have accounting or related financial management expertise. Financial "literacy" signifies the ability to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement, and the ability to ask probing questions about the corporation's financial risks and accounting. "Expertise" signifies past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the individual's financial sophistication (such as CEO or other senior officer with financial oversight responsibilities).

Operating Procedures

Terms of Reference. Audit Committees should have clear, written terms of reference and operating procedures that specify the scope of the committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements. This charter should be approved and reassessed periodically by the board of directors.

Authority. The audit committee should have explicit authority to investigate any matters within its terms of reference, should be provided with the resources it needs, and should have full access to information and the organization's personnel. The committee should also be able to obtain independent professional advice.

Member Orientation. The audit committee should consider training and education programs for its members to ensure that they have current knowledge of the following:

- the committee's responsibilities and the methods of discharging them;
- the roles of the internal and external auditors;
- the corporation's business, including products, systems, risks and opportunities; and
- basic elements of technical areas such as accounting principles and policies, internal control systems, and auditing.

Meetings. The frequency of audit committee meetings should be tailored to the responsibilities assigned, but should be at least quarterly. The audit committee agendas are set with sufficient input from the chair of the

committee, the CEO, the chief financial officer and the internal and external auditors. Detailed minutes of the meetings should be prepared. The external auditor should be invited to every meeting. **The audit committee should also periodically meet with management, the external auditor and the director of internal auditing in separate private sessions.**

Reporting and Self-Assessment. The audit committee should periodically report the results of its activities to the board of directors. Its charter should be disclosed at least triennially in the corporation's annual report. The committee should also provide a general disclosure letter in the corporation's annual report stating whether the audit committee has satisfied its responsibilities during the prior year in compliance with its charter. The disclosure should also state that the audit committee:

- has reviewed the financial statements with management and has discussed the quality of the accounting principles and significant judgements;
- has discussed the audited financial statements, accounting principles and significant judgements with the external auditor;
- has discussed the information provided by management and the external auditor; and
- believes, in reliance on the review and discussions with management and the auditors, that the corporation's financial statements are fairly presented in conformity with generally accepted accounting principles in all material respects.

The audit committee should periodically assess its effectiveness and the adequacy of its mandate, and its chair should also periodically assess the performance of individual committee members.

Report of the Auditor General of Canada to the House of Commons – 2000

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Chapter 19
Reporting Performance to Parliament:
Progress Too Slow

December 2000

Report of the Auditor General of Canada to the House of Commons

Chapter 19
Reporting Performance to Parliament:
Progress Too Slow



December 2000

This December 2000 Report comprises 18 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 2000 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 19

Reporting Performance to Parliament

Progress Too Slow

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Reporting Performance to Parliament

Progress Too Slow

Main Points

19.1 Federal departments and agencies have made some progress in reporting on their performance to Parliament, but we are disappointed at its present pace. Continued at this rate, it would take too long for good reporting to become routine. We recognize that reporting on performance is not easy, and it takes time. Still, we believe that the effort deserves more attention: members of Parliament need information on what Canadians are getting for their taxes in order to hold the government to account. Good performance reporting has become an essential part of modern democratic systems.

19.2 To that end, it may be time for legislation. Several jurisdictions in Canada now have legislation requiring government to report on its performance to the legislature. Legislation highlights the importance of good reporting and puts it on a more permanent and stable footing.

19.3 Our examination of the Estimates documents — reports on plans and priorities and departmental performance reports — of 47 departments and agencies over the past four to five years found the following:

- While there has been progress, few departments set out concrete statements of what they expect to achieve and then report back specifically against those expectations.
- In reporting what they have accomplished, departments focus too much on listing activities and outputs and too little on linking them to and reporting on the intended outcomes.
- Reporting makes too little use of evaluation findings on the results that activities are accomplishing and on how programs are contributing to outcomes.
- There is little linking of financial and non-financial performance information; most accomplishments are not costed.
- Performance reports lack balance. Most departments report only the "good news" and make little mention of performance that did not meet expectations. As members of Parliament have said repeatedly, reports that present only good news are not credible.

19.4 We noted that the Treasury Board Secretariat has provided leadership for reporting. And we did find pockets of good reporting and a number of strengths in the present regime of reporting. Nevertheless, after five years of experimenting, departmental reporting overall has only improved modestly.

19.5 Three factors stand out as contributing to the current weak state of reporting:

- basic principles of good reporting are not understood or applied;
- performance reporting has political dimensions; and
- there are few incentives for good reporting or sanctions for poor reporting.

19.6 In addition to considering legislation, in our view the government needs to make the following changes in the present reporting regime:

- reach agreement on principles for reporting performance information;

- give more attention to the right incentives for incorporating evidence-based approaches into reporting;
- ensure stronger oversight by the Treasury Board Secretariat; and
- seek to enhance the involvement of parliamentarians in reviewing performance plans and reports.

Background and other observations

19.7 Federal departments submit performance reports to Parliament in the fall every year, outlining what they have accomplished. The reports are subject to consideration by their respective parliamentary standing committees. Review of the reports at that time would enable parliamentary committees to make recommendations for the upcoming spending decisions to be announced by the government later, in the Budget. In the spring, after the Budget, departments submit reports on their plans and priorities, describing what they are setting out to achieve in the upcoming year and beyond.

19.8 In 1997 we first reported on this new regime for reporting to Parliament. We found that a good start had been made and that the basic framework used for reporting was sound.

19.9 Credible reporting on performance has a number of benefits: it can enhance accountability and trust in government, provide information for improved programs and services and better parliamentary scrutiny of them, and serve as an incentive for departments and agencies to manage for the results they have set out to achieve.

19.10 On two occasions in recent years, the Standing Committee on Procedure and House Affairs has issued reports with recommendations on ways to provide for greater involvement of parliamentarians in the review of the Estimates.

19.11 The President of the Treasury Board annually tables, along with the departmental performance reports, a report in Parliament on government performance measurement, reporting and results-based management. In recent years it has provided useful performance information on collective results — areas where several departments or several governments are working collectively toward a result.

19.12 The Treasury Board Secretariat has taken important steps toward more electronic reporting. It needs to encourage departments to make greater use of this vehicle, and gather and share good practices.

The response of the Treasury Board Secretariat, on behalf of the government and the departments audited, is included at the end of this chapter. The Secretariat has responded positively to our chapter and recommendations therein. The Secretariat accepts our recommendations and indicates the actions that, where appropriate, it is taking or intends to take to address them.

Introduction

A good start in 1997

19.13 In 1997, we examined the state of the federal government's performance reporting to Parliament (Auditor General's 1997 Report, Chapter 5, Reporting Performance in the Expenditure Management System). We noted that the public and members of Parliament often lacked the kind of information that would demonstrate what Canadians were getting for the taxes they paid. Too often, departments described the activities they had undertaken and the services they had delivered but not the results they had achieved.

19.14 However, we did observe that several departments had made progress; we found aspects of good performance reporting in the information they had provided to Parliament. But we noted that in describing their expected performance, departments needed to be clearer and more concrete; in reporting their actual performance, they needed to focus more on the benefits they had gained for Canadians. The chapter made a number of recommendations for departments to improve their performance reports.

19.15 We also recommended that the Treasury Board Secretariat strengthen its leadership role. We noted that the role of parliamentary committees was vital to continued progress: if committees asked for information on performance and visibly used it in their deliberations, it would be a powerful incentive for departments to collect and report the information.

Many jurisdictions report on performance

19.16 A growing number of jurisdictions in Canada have performance reporting initiatives. As we reported in 1997, several jurisdictions in Canada (and elsewhere) are making tangible efforts to provide their legislatures and citizens with better information on how government programs have performed. Alberta has perhaps the most experience in Canada, reporting to the legislature on performance both government-wide and by ministry. Initiatives in Nova Scotia and New Brunswick that we noted in 1997 have continued, with some changes introduced by new governments. More recently, Quebec and British Columbia have passed legislation requiring the government to report to the legislature on performance. Saskatchewan also plans to enhance reporting.

19.17 We did not examine the success of initiatives in other jurisdictions or compare their performance information with that reported by Canada's federal government. We cite the experience and ongoing efforts of these jurisdictions to show that although it is not easy to provide better information on how government programs have performed, it can be done.

The Expenditure Management System

19.18 Past efforts by the federal government to improve reporting to Parliament included the creation of the Part III Main Estimates in 1981. The Part III documents were designed to provide information to members of Parliament on departmental spending plans and on the performance and results produced with the spending previously authorized. In 1983, the government agreed to include summaries of program evaluations in the Part IIIs.

19.19 In 1995, the government revised the Expenditure Management System it had used to manage its affairs and report on them to Parliament. As part of this initiative, it launched the Improved Reporting to Parliament Project.

19.20 From Parliament's perspective. The intent of the project was to provide Parliament with better information on the government's plans and performance. On

a pilot basis, and with the agreement of Parliament, Part III of the Estimates was split into two documents:

- a Report on Plans and Priorities, tabled in the spring with Parts I and II of the Main Estimates, to establish performance targets and outline the general direction the minister wants the department to take during the upcoming year and the next two fiscal years; and

- a Performance Report, tabled in the fall, to indicate the extent to which results achieved to date reflect those that were planned.

The timing of the spring plans and fall performance reports is intended to enhance the role of standing committees.

19.21 Both of these new reports are Estimates documents, tabled in the House of Commons and subject to consideration by the appropriate standing committees. The timing of the spring plans and fall performance reports is intended to enhance the role of standing committees. Performance reports in the fall enable committees, in a timely way, to report their conclusions to the House and to make their views known to the government as it carries out its fall consultations on the upcoming budget. Standing committees may thereby influence spending plans and priorities for the next year or beyond. The plans reported in the spring can provide a focus for committee reporting to the House on future years' plans and priorities.

Clarifying results and performance concepts

19.22 Discussions of performance reporting can be confusing, as they involve a number of specific concepts and terms. Exhibit 19.1 presents some of them.

Focus of the audit

19.23 Our government-wide audit looked at the present state of performance reporting. This audit was in part a follow-up on the observations and recommendations we made in our 1997 Report, Chapter 5. Our objectives were to assess:

- the government's progress in reporting performance information to Parliament, including the leadership provided by the Treasury Board Secretariat and the use of performance information by standing committees; and

- the strengths and weaknesses of the federal regime of performance reporting.

19.24 We examined the Part III Estimates documents — the reports on plans and priorities and departmental performance reports of 47 departments and agencies (shown in Appendix A). These were the larger departments and agencies, including the 16 that had piloted performance reports in 1996, and a sample of smaller agencies. Over 80 departments and agencies provide these two Estimates documents to Parliament annually.

19.25 As this was a government-wide audit of the progress made to date in performance reporting, we did not audit the reliability or accuracy of performance information in reports on plans and priorities and departmental performance reports.

19.26 Further details on our audit objectives, criteria and approach can be found at the end of the chapter in **About the Audit**.

Observations and Recommendations

The Expenditure Management System Since 1997

19.27 The Improved Reporting to Parliament Project started in 1995 with five pilot departments, and expanded to include 16. Significant events have occurred since our 1997 audit:

- All departments and agencies (82 in 1999) submit reports on plans and priorities and performance reports.

- Based on the work of the Standing Committee on Procedure and House Affairs, a parliamentary subcommittee on the Business of Supply endorsed the Improved Reporting to Parliament Project in December 1998, and recommended a number of ways for standing committees to make good use of the Estimates reports. In its May 1999 response, the government

Exhibit 19.1

Terms and Concepts of Results and Performance

The concept of **performance** deals with how well things are done:

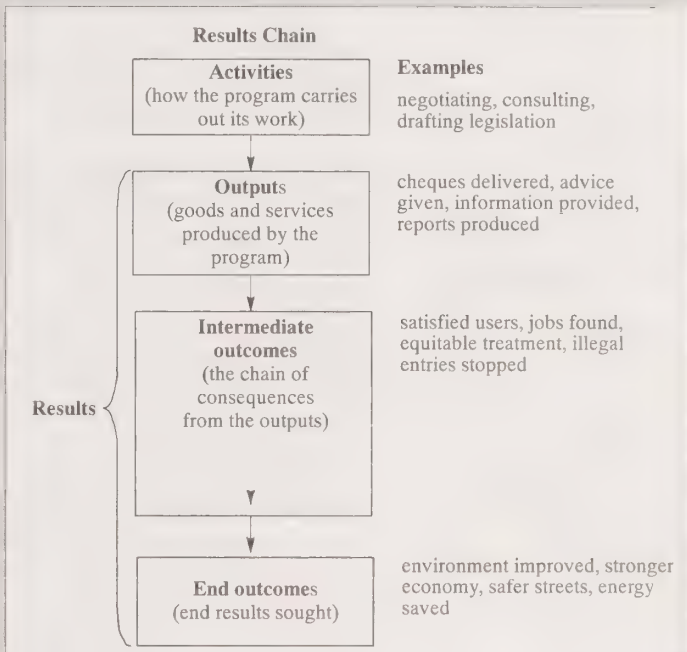
- Are the expected results accomplished?
- Are they accomplished within budget and in the most efficient manner?
- Are there undue, unintended consequences?

It also deals with whether the performance will continue or improve:

- Is the organization learning from past experience and adapting?

Performance, then, covers a number of ideas. Determining the specific aspect of performance to measure, and when, is not always straightforward. Government programs undertake a number of **activities** that produce a variety of **results**. Programs deliver two kinds of results: **outputs**, the direct products and services produced by government activities; and **outcomes**, the consequences of those outputs on Canadians and our society. Outputs are results that managers can largely control, while the outcomes are influenced by factors outside the programs of managers.

End outcomes (sometimes called long-term, final or ultimate outcomes) are the end results sought. In between the outputs and the end outcomes, a sequence of **intermediate outcomes** are expected to lead to a desired result but are not an end in themselves. Intermediate outcomes are more easily linked to the activities of a program than are end outcomes. The **results chain** is the sequence of outputs and outcomes that occurs as a result of the activities of the program.



The following illustrates how the various results of an anti-smoking program could be characterized.

Results	An Anti-Smoking Program
Outputs	• anti-smoking advertisements and promotions • educational material distributed • enforcement of smoking regulations
Intermediate outcomes	• compliance with regulations • reduced number of smokers • reduced number of new smokers
End outcomes	• reduced incidence of smoke-related health problems and deaths • reduced costs of health care associated with smoking-related problems

agreed to engage parliamentarians further by initiating Phase 2 of Improved Reporting to Parliament.

- The Treasury Board Secretariat has established an Estimates Web site that includes departmental performance reports and reports on plans and priorities, with links to other performance information and information on cross-government initiatives.

- In March 2000, the government issued *Results for Canadians*, a results-based management framework for the Government of Canada.

- A second subcommittee established in May 2000 considered proposals for Phase 2; its report was tabled on 12 June 2000.

19.28 Business plans no longer submitted to Treasury Board. Perhaps the biggest change in the Expenditure Management System has been the evolution of departmental business plans. An integral element of the original Expenditure Management System was the requirement that departmental business plans be submitted to the Treasury Board for review, in place of multi-year operational plans. Business plans initially were to be concise, strategic three-year plans that set out goals, targets and performance measures. Several provinces, including Alberta, Ontario, and New Brunswick, have adopted business planning.

19.29 Business plans have evolved considerably since 1997, but as of 2000, their submission to Treasury Board is no longer required. The submission process began to be seen as cumbersome and not useful. For external communication purposes, a number of departments use their report on plans and priorities as their business plan.

19.30 Departments are encouraged to develop business plans for their own planning purposes. Treasury Board Secretariat analysts can get copies in the course of their ongoing dialogue with departments. On a selective and cyclical basis, any deputy minister may be asked to send a letter to the Secretary of the Treasury Board outlining current key issues and concerns in the department. The Treasury Board Secretariat intends to develop a yearly report to the Treasury Board on the key issues and risks faced by departments, together with options for dealing with them. The intent is that the President of the Treasury Board will present the results of this exercise to Cabinet at an early stage in the priority-setting cycle.

An important element of the revised Expenditure Management System is the move by departments to a single, purpose-focussed accountability structure for reporting financial and performance information.

19.31 Planning, Reporting and Accountability Structure still approved by Treasury Board. An important element of the revised Expenditure Management System is the move by departments to a single, purpose-focussed accountability structure for reporting financial and non-financial information. This Planning, Reporting and Accountability Structure (PRAS) links the department's internal management and accountability regime to its objectives, business lines, resource requirements and performance targets. It is intended as the basis for reporting in business plans and Estimates documents. Departments are still required to get Treasury Board approval for their PRAS if they want to significantly change their reporting structure.

19.32 To provide a focus on results in the departmental performance reports and the reports on plans and priorities, departments are asked to prepare a chart of "Key Results Commitments" as a way of organizing their reports, and they are asked to identify the kind of information they will provide to demonstrate results. Work is ongoing in departments to align the PRAS with key results commitments and their business lines to ensure a link between expenditures and results. Changes in these charts are reviewed by Treasury Board Secretariat staff before the

departmental performance reports are completed each year.

What We Expected in Reports

19.33 After discussion with Treasury Board Secretariat officials in 1997, we identified five characteristics (Exhibit 19.2) needed in performance reports to give a credible account of performance:

- clear presentation of context and strategies;
- clearly and concretely stated performance expectations;
- performance accomplishments reported against expectations;
- demonstrated capacity to learn and adapt; and
- fair and reliable information.

We would expect to see the first two characteristics in a good report on plans and priorities as well.

19.34 In examining performance reporting by departments, we considered each of these elements of good reporting. Our findings follow, starting with our observations on how departments stated the results they expected. Next, we describe how they reported their actual results, and then we present our observations on the remaining elements of good reporting. Finally, we look at the overall state of performance reporting after five years.

19.35 We recognize that it may take time to establish expectations and report accomplishments in a way that is meaningful and useful to the organization, but we would expect to see significant progress after four or five years, and many examples of good performance reports. Where reporting is still weak, we would expect to see departments informing readers of their plans to improve it.

Some Improvement in Stating Performance Expectations

A variety of terms used to state what is to be accomplished

19.36 On some of the key terms used in performance measurement and reporting, there is general agreement (these terms are set out in Exhibit 19.2). There is less agreement on the terms that describe other key elements. One important element of performance reporting is setting out the results a program is intended or expected to accomplish. A second key element is measuring the results it has actually accomplished.

One important element of performance reporting is setting out the results a program is intended or expected to accomplish.

A second key element is measuring the results it has actually accomplished.

19.37 Stating performance expectations. The term "objective" is often used as the statement of expected accomplishments but it tends to hide an important distinction between two different concepts. The first concept is a

Exhibit 19.2

What Should Be in a Performance Report

After reading a performance report, a member of Parliament or the public should have a good overview of a department and how well it is doing. In particular, a reader should know the following:

What are the context and the strategy? What the department does and why, what its programs are, what they should accomplish, what approaches will be used.

What results were expected? What each program intends to achieve specifically over the next few years toward the end outcome.

What results occurred? What has been accomplished to date, how it compared with the expected results, what resources were used, how the program contributed to the reported accomplishments, and what factors and other programs influenced the performance.

What changes are being made? What steps are being taken to improve performance that fell short of expectations.

How reliable are the data? To what extent the information reported is sound, and which data or information must be used with caution.

general statement of strategic direction, a more global statement of intent. The Treasury Board Secretariat has begun calling these the *key results commitments* — the benefits that departments have committed to provide to Canadians — and each department now sets them out in its Chart of Key Results Commitments.

Performance measures are the terms usually used to identify a specific aspect of performance that can be measured, such as the number of full-time jobs created.

19.38 The second concept is a statement identifying specifically what is to be accomplished over the next few years. This is what our 1997 chapter called *performance expectations*. Over the past several years, the Treasury Board Secretariat and departments have used a number of different terms — desired outcomes, specific goals, intended results, and desired results. More recently, the Secretariat introduced the term *planned results* for these more specific intended results, as the companion term to the more global results commitments. We will use "planned results" interchangeably with "performance expectations".

19.39 **Measuring performance.** In order to report performance, some way to measure it is needed. Performance measures or indicators are the terms usually used to identify a specific aspect of performance that can be measured, such as the number of full-time jobs created or number of cheques delivered on time to eligible recipients. Departments are asked to state in the chart of key results commitments the performance measures or indicators they will use to demonstrate progress toward their results commitments.

Setting concrete expectations remains a challenge

Progress in stating clear and concrete performance expectations has been slow overall.

19.40 We examined the reports on plans and priorities of the 47 departments and agencies over the last six years. We looked at statements of expected performance — both the global results commitments and the more specific planned results. Exhibit 19.3 outlines the assessment we made and shows the average annual index score across departments. The scores indicate that progress in stating performance expectations has been slow overall, levelling off in the last two years.

19.41 However, statements of expected performance have become more outcome-focussed over the years. The reports for 2000-01 contained more clear and concrete statements of planned results than did those for 1996-97. Where progress was made, it was in more clearly stating expectations in terms of outputs or immediate outcomes and indicating a direction of change. There was little progress in specifying the timeframe for change and even less in stating the magnitude of change. Departments that scored highest usually stated expectations with both immediate and longer-term outcomes, and indicated the magnitude of change sought within a given timeframe. Exhibit 19.4 provides examples of clear and concrete performance expectations.

19.42 Departments have progressed to varying degrees in setting out expected performance. Some departments improved; others fell back — their later reports did not set out expectations in terms as clear and concrete as in their earlier reports. For example, in its 1997-98 Report on Plans and Priorities, Status of Women Canada set out, in reasonably clear and concrete terms, its performance expectations for contributing to equitable public policy:

> Use of gender-based analysis at the planning and subsequent stages in government policy and program analysis and development, by the year 2002.

The corresponding expectation in the 2000-01 report, however, is less clear:

> To have directed/led/driven the integration of gender-based analysis in the policy and program development of selected federal departments and key institutions.

19.43 Our Office continues to call for clear and concrete statements of the results that departments plan to achieve. Our 1997 chapter gave examples of planned results that were clearly stated and some that were not, some that were concrete and others that were not. (See Exhibit 19.4 for more recent examples.)

19.44 In our view, planned results need not necessarily be expressed as numerical targets to be concrete. As discussed in Appendix B, concrete expectations can include numerical ranges, a yes/no indication of a result, or a result indicated verbally on a comparative scale. And in setting out the specific result that is planned, it is useful to keep in mind the whole chain of outputs and outcomes to provide its context.

Inconsistent use of concepts

19.45 The performance reports we examined show widespread inconsistency in the content of key results commitments. They range from general statements of

Exhibit 19.3

Assessing Statements of Expected Performance

To identify overall trends, we assessed each business line in the reports on plans and priorities to see whether its statements of planned results were:

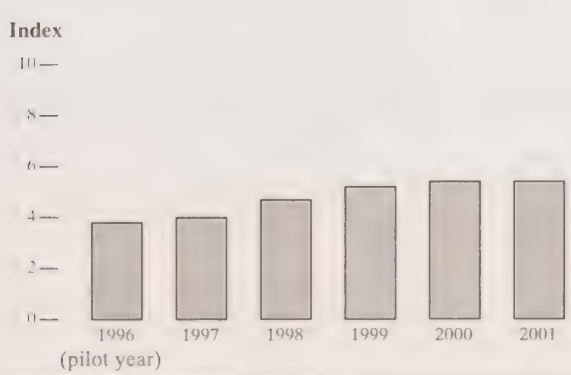
- clear and concrete;
- focussed on outcomes; and
- plausibly linked to the business line's activities and outputs.

Statements of expected performance are more concrete when they can be readily measured. For example, statements must clearly indicate a direction of change, such as increasing the number of jobs created; contain specific time frames, such as by 2001; and anticipate the magnitude of change, such as creating 1,000 jobs.

We combined these elements into an index to measure how well the report stated results commitments and planned results for each business line. An index of 10 reflected statements that were clear on what was expected, that specified the magnitude of change expected and the time frame, that were outcome-oriented, and were plausibly linked to the business line. An index close to zero reflected vaguely stated expectations with no apparent link to the business line. To calculate an index for a department, we added the business line indices after weighing them according to their expenditures. A given business line can rate high in some aspects of stating expectations and low in others.

The chart shows the average annual score on this index across departments.

Average Index Scores for Stating Performance Expectations in Reports on Plans and Priorities



intent (in the vast majority) to quite clear and concrete statements of what is to be accomplished, that is, planned results. In the results commitment chart, the content under "to be demonstrated" is even more varied and hence much less useful to readers. Some departments give a list of activities to be carried out, and others a list of sub-objectives; some provide a list of performance measures, and still others, a list of performance expectations. And we have already noted the several different terms used to describe expected performance.

19.46 In our view, this miscellany of terms and concepts hinders reporting by confusing both the readers and the preparers of the reports. More uniformity in the types of performance expectations to be reported would help. The chart of key results commitments most recently requested by the Secretariat calls for two of the needed elements: results

Exhibit 19.4

Statements of Performance Expectations – Examples

Clear and Concrete

Maximum economic and social benefit for the global movement of people. To be demonstrated by "achievement of target immigration levels of 200,000 to 225,000 newcomers to Canada for 2000." **Citizenship and Immigration Canada**, 2000-01 Report on Plans and Priorities.

Export capability and preparedness. "*ExportSource* content will be improved by implementing the re-engineered guide, *Exporter Preparation*, and the new *Canadian Exporter's Guide to Intellectual Property*, and by targeting an increase in client satisfaction from 68 percent to 70 percent." **Industry Canada**, 1999-2000 Report on Plans and Priorities.

The environment and human health threats posed by toxic substances and other substances of concern are understood, and prevented or reduced. To be demonstrated by "releases of toxins reported through the ARET program reduced by 25,000 tonnes by the end of 2000. Continue to meet mercury emissions reductions of 50% from 1990 levels in accordance with UNECE commitments." **Environment Canada**, 1999-2000 Report on Plans and Priorities.

To manage the Department efficiently and effectively. To be demonstrated by a "reduction in the Departmental vehicle fleet size by 40 percent from 1995 figures and ensure, where technically and operationally possible, that all new vehicles run on alternative transportation fuels, by 1998." **Natural Resources Canada**, 1999 Departmental Performance Report.

Unclear

Conservation and biological sustainability of fisheries resources, marine and freshwater habitats and a protected environment. To be demonstrated by an "increase in public knowledge of oceans and freshwater issues to encourage local involvement, self-regulation, voluntary compliance and shared accountability." **Fisheries and Oceans**, 2000-01 Report on Plans and Priorities.

The delivery of benefits and services that contribute to the independence, quality of life and standard of living of Canada's veterans. To be demonstrated by "client independence and healthy lifestyle." **Veterans Affairs Canada,** 2000-01 Report on Plans and Priorities.

Not Concrete

To provide Canadians with health surveillance that anticipates, prevents and responds to health risks posed by diseases, food, water, drugs, pesticides, medical devices, environmental and occupational hazards, consumer goods, and other socio-economic determinants of health. To be demonstrated by "a public well informed about specific risks and benefits to their health." **Health Canada**, 1999-2000 Report on Plans and Priorities.

Promoting the integration of newcomers. "To be demonstrated by reduced potential for fraud and misuse of documents through the development of profiles that can help identify potential risks to program integrity in the citizenship application process and enhancements to the process of issuing citizenship certificates." **Citizenship and Immigration**, 2000-01 Report on Plans and Priorities.

commitments and planned results. In the previous chart, the column "to be demonstrated by" was intended to capture the specific indicators by which a department would measure and report on accomplishments. This element of reporting is still needed. After several years of experimenting with terms and presentation approaches, departments should now be encouraged to use this three-part conceptual framework — key results commitments, planned results/performance expectations, and the specific measures that performance is "to be demonstrated by". Consistent use of this framework by departments would encourage the development of clearer and more concrete performance expectations and enable readers of performance reports to know what results they can expect.

19.47 The Treasury Board Secretariat and departments should agree on key elements of performance to be reported and the terms the reports will use. The Secretariat should provide stronger leadership for consistent common practice.

Slow Progress in Reporting Accomplishments

Improvements needed in reporting accomplishments

19.48 The essence of performance reporting is to report what has occurred and relate it to what was expected. The fall performance reports are to set out the results accomplished in the period up to 31 March of that year. Exhibit 19.5 discusses how we assessed the reporting of accomplishments, and shows how well departments have done overall. We found that in general, the reporting of accomplishments against expectations has made slow progress. About a third of the departments did show improvement year by year. And while half of the departments did better at reporting their accomplishments in 1999 than in their first year of reporting, a quarter of them did worse.

19.49 There is still a focus on outputs and activities. While most departments have been reporting more outputs over the years and listing fewer activities, in 1999 only six departments focussed more on outcomes than on activities and outputs.

Movement overall has been toward a focus on outputs more than on outcomes, as departments have emphasized what they can control more than what they can influence.

Exhibit 19.5

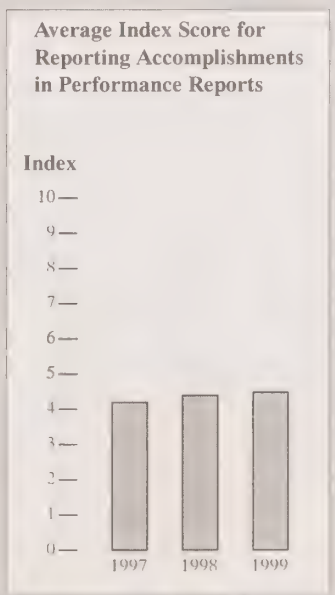
Assessing How Well Accomplishments Are Reported

We assessed each business line in the performance reports to see whether accomplishments reported were:

- outcome-oriented;
- compared with past performance or with that of other entities;
- attributed to the program; and
- plausibly linked to the business line activities and outputs.

We combined these factors into an index to measure how well accomplishments were reported. Business line scores for a department were added after weighing them according to their expenditures. A given business line might rate well in some aspects of reporting accomplishments and low in others. Lower scores tended to indicate that accomplishments are focussed more on activity and output, and no comparison or attribution is provided.

The chart shows the average index scores for reporting accomplishments in each of the three years when all 47 departments produced performance reports.



Some departments had drawn back from reporting outcomes: 14 did not report outcome accomplishments in 1997, and 16 in 1999. Movement overall has been toward a focus more on outputs than on outcomes, as departments have emphasized what they can control more than what they can influence. Reporting on outputs is necessary, but in the context of the outcomes they are meant to influence.

19.50 Exhibit 19.6 shows the move toward reporting more outputs. However, the number of outputs, activities and outcomes reported can be somewhat misleading if no account is taken of the quality of reporting. Although the exhibit indicates a declining trend since 1997 in reporting outcomes, an analysis of the way some of them are reported suggests that this is not necessarily negative. Many of the "outcomes" reported earlier were stated in very vague terms and without attribution; and departments reported their "results" at a high level — little more than a restatement of their objectives, which they claimed to have achieved. The trend toward reporting more outputs could be a much more realistic indication of what departments are actually measuring. From reporting claimed outcomes as accomplishments, some departments have progressed to reporting measured outputs as accomplishments. But good reporting of outcomes is still a challenge for many departments. A number of them continue to report their activities in the past year as accomplishments (see Exhibit 19.7).

19.51 Too much focus on the latest year. Most outcomes that governments seek take a number of years to achieve. A "performance story" focussed on outcomes requires a discussion of the chain of results over several years. In recognition of this fact, departmental performance reports clearly indicate on the front that they cover the period *up to 31 March of that year* rather than only the 12 months in the fiscal year.

19.52 Funds are provided annually, and some reporting of the outputs produced in the past fiscal year is quite appropriate — indeed, essential — to provide the context for the outcomes reported. However, we found that performance reports too often focus primarily or exclusively on the latest fiscal year. Reporting on one year encourages a focus on activities and outputs, at the expense of outcomes that may have resulted recently from activities and outputs of past years. Departments need to adopt a multi-year perspective on reporting to capture the outcomes they have accomplished and the related expenditures they have incurred.

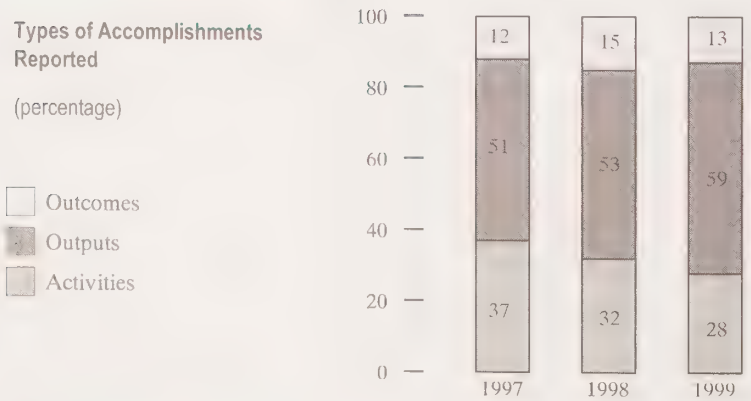
19.53 Departmental performance reports are meant to report back on the key results commitments and the related specific performance expectations stated in earlier reports on plans and priorities. Evidence of accomplishments related to these performance plans must be provided and any changes in the plans explained. In many of the reports we examined, it was not easy to compare clearly what departments had accomplished with what they had planned. There are several reasons: the reporting structure used often changes, different wording may be used, and presentation can be confusing. Both the reports on plans and priorities and the performance reports have undergone experimentation and change over the past few years. There is now a need for greater consistency between the two.

In many of the reports we examined, it was not easy to compare clearly what departments had accomplished with what they had planned.

Exhibit 19.6

Types of Accomplishments Reported

(percentage)



19.54 The Treasury Board Secretariat and departments should ensure that departmental performance reports consistently and clearly report back on the expected performance set out in the reports on plans and priorities relevant for the period ending 31 March.

19.55 Only limited comparisons provided. We saw that as departments gained experience over the review period in reporting performance, there was a very slight increase in the number of them that made comparisons with previous years' performance. In 1999, about half provided at least one comparative reference, although very few departments provided comparisons regularly and systematically. Almost no departments compared their performance with that of similar entities (benchmarking). Readers of a performance report can judge whether performance was reasonable only by comparing it with something: with the previously stated expectations, with past years' performance, and/or with similar programs elsewhere.

More effort is needed to assess a program's contribution

19.56 Program managers do not control the outcomes they are seeking to accomplish. They undertake activities that produce the goods and services (outputs) that are expected to influence events toward those outcomes. As highlighted by Treasury Board Secretariat guidelines, it is therefore important that departments explore the extent to which their programs are contributing to outcomes.

19.57 Limited discussion of the influence that programs have on outcomes. Discussion in performance reports of the relationship among activities, outputs and outcomes had improved little over the period we reviewed. Few departments discussed how their activities and outputs had contributed to the accomplishments they were seeking. For example, only a few included a logic chart or results chain that linked inputs, outputs and outcomes. As a result, readers of a report would not have a clear picture of the department's contribution to longer-term outcomes, such as a healthy industrial sector or higher standard of living for citizens, which are often the kinds of end outcomes the government is trying to achieve.

19.58 A few departments, such as the Royal Canadian Mounted Police and Citizenship and Immigration Canada, did make some attempt to discuss the contribution they were making, primarily by listing the other jurisdictions and

Few departments discussed how their activities and outputs had contributed to the accomplishments they were seeking.

Exhibit 19.7

Reporting Activities as Accomplishments – Examples

Health Canada, in its performance report, lists "reduced illness, injury and death from identified health risks" as a desired outcome of its Management of Risks to Health Commitment. "Completed a revised draft Risk Management Framework" is reported as an accomplishment. This is elaborated later in the report through more activities stated as accomplishments in improving the risk management framework, such as "started the implementation of the Nutrition for Health action agenda" and "developed policies and programs for the safety of raw food of animal origin". The Department does not discuss how these activities would contribute to or eventually lead to reduced illness, injury and death – the stated desired outcome.

Fisheries and Oceans, in its Performance Report for 1999, lists as expected performance to "provide Canadians with safe, efficient and accessible waterways and harbours." It elaborates on this in a chart of Key Results Commitments with a long list of ways this is demonstrated – for example, "safe and efficient movement of marine traffic through ice-covered waters." Icebreaking activities the Department reports as accomplishments include implementing a fee for icebreaking services, transferring the Arctic Sealift (resupplying Arctic areas) to the Government of Nunavut, working with the United States to expand the cost-sharing arrangements for ice patrol, and continuing an economic study of icebreaking benefits. The expected accomplishment, the safe and efficient movement of marine traffic, is not discussed.

agencies that were working toward the same outcome. Citizenship and Immigration Canada describes the areas of co-operation with its partners, but neither it nor the RCMP attempts to discuss how each is contributing to the desired outcomes.

19.59 We think it is possible to take a more analytical approach to describing the contribution made by departments. A results chain (see Exhibit 19.1) that describes the outputs produced and the series of intended outcomes can help to "tell the performance story" and the roles of the different players in it. By identifying how outputs from various contributors have together led to a series of outcomes, the contribution of each can be shown. Similarly, the effects of the program's outputs can be presented with supporting evidence to demonstrate the case that the program played an influential role.

Evaluations can provide for better measurement of outcomes accomplished and better analysis of the real contribution a program is making.

Evaluation findings can play an important part in reporting performance but are underused

19.60 A small number of departments included relevant results of evaluations in their performance reports. This was often useful, added information about the nature of the performance, its contribution to outcomes accomplished, and the factors associated with success or with underachievement. For example, in discussing a program, the RCMP's performance report summarizes in "Key Review" boxes the results of evaluations or reviews related to the program. In its Departmental Performance Report for 1999, Canada Economic Development for Quebec Regions made extensive reference to evaluations to identify what had succeeded and what had presented challenges. Exhibit 19.8 illustrates this.

19.61 As Treasury Board Secretariat guidelines on performance reporting make clear, evaluations can provide for better measurement of outcomes accomplished and better analysis of the real contribution a program is making. A more extensive and systematic use of program evaluations would enhance performance reporting, increase a department's ability to identify its contribution, and provide some insight into factors that have influenced performance. We noted that U.S. federal legislation requires agencies to include evaluation plans in their performance plans, and the findings in their performance reports. Including the plans for relevant evaluations in reports on plans and priorities as part of the "to be demonstrated by" information would identify more clearly the role evaluation will play in measuring a department's results.

Exhibit 19.8

Using Evaluation Findings to Strengthen a Performance Story – Example

A mid-program evaluation led to the following conclusions for local empowerment:

> "The SFCQ [Special Fund for Coastal Quebec] effectively contributes to the adaptation and the long term economic development of fishing communities most affected by the crisis. It has been noted that the program provides, in a majority of cases, the reinforcement, the diversification and the stabilization of the economic fabric of communities.
>
> However, the mid-program evaluation also revealed that the development of entrepreneurial skills within the communities is an objective that is much more difficult to reach. Notwithstanding the communities' needs in terms of consensus-building and animation activities, findings reveal a low level of client participation. Economic promotion or entrepreneurship assistance activities have not yet generated measurable economic results."

Source: Excerpt from Canada Economic Development for Quebec Regions, 1999 Performance Report.

19.62 Departments should include plans for relevant evaluations in their reports on plans and priorities, and any relevant findings from evaluations in their performance reports.

Need to Improve Balance and Indicate Reliability of Data

19.63 We assessed the presence of other characteristics of good performance reporting, namely, presenting a clear context and strategy, demonstrating a capacity to learn and adapt, providing fair and balanced information, and discussing the reliability of the data used.

More balanced reporting needed to enhance credibility

19.64 Departments have made little progress in identifying weak performance and showing how they have used the information to improve programs: the vast majority of performance reports contain no such discussion. There are exceptions, including Citizenship and Immigration Canada and the RCMP — who compare their accomplishments (or lack thereof) with their previously stated expectations, or discuss them transparently. However, most departments report only the "good news", and make little mention of performance that did not meet expectations.

19.65 Departments understandably are reluctant to report to Parliament and the public on performance that falls below expectations. However, selectively reporting only good news weakens the reliability of the entire performance report — including the good news. Members of Parliament have repeatedly said that they do not trust the credibility of reports that present only good news.

19.66 What is more important, departmental performance reports are reports by ministers to Parliament on what their departments have accomplished with the funds and authorities Parliament has provided to them. Ministers are accountable for all aspects of performance under their responsibility and for accounting fully for their stewardship of that responsibility.

19.67 Report what was learned. We have suggested that if departments present performance that did not meet expectations in a context of what they now know works and does not work, they can significantly reduce their potential embarrassment. They can also indicate how they plan to correct the problem. This approach not only makes for a more balanced and credible performance report but also provides value to the organization in proactively identifying problem areas and addressing them. We noted that Treasury Board Secretariat guidelines do stress both the importance of balanced reporting and the need to report the lessons learned about what does and does not work.

Members of Parliament have repeatedly said that they do not trust the credibility of reports that present only good news.

19.68 A good example of this can be found in the 1999 Departmental Performance Report of Citizenship and Immigration Canada. It notes that the Department fell short of its target for privately sponsored refugees by more than 20 percent, for two reasons: higher rates of refusal and longer processing times. The report outlines the actions the Department has taken to educate groups and sponsors in order to reduce refusal rates, and the operational changes it has made to reduce processing times.

Treasury Board Secretariat guidelines stress the importance of balanced reporting and the need to report lessons learned.

More attention is needed to data reliability

19.69 Good reporting requires that information be reliable and presented fairly. Readers can be misled by information that is not accurate enough or does not present a balanced picture of what has been accomplished. Our audit did not examine the accuracy of the data in performance reports. Rather, we looked to see if the reports themselves discussed the reliability of the data.

The reports make little reference to the fairness and reliability of the performance information they contain. Very few reports mention the possibility that there may be shortcomings or problems in the data.

19.70 We found little reference in the reports to the fairness and reliability of the performance information they contain. Very few reports mention the possibility that there may be shortcomings or problems in the data. And guidance from the Treasury Board Secretariat has paid little attention to the issue of data reliability.

19.71 We noted that several other jurisdictions give considerably more attention to this issue. Alberta, for example, requires that departments include in their performance reports a short description of the methodology used to arrive at any data presented. At the U.S. federal level, legislation requires agencies to discuss the verification and validation of information in their performance reports, and legislators have publicly stressed the importance of data quality. Exhibit 19.9 provides some good practices followed in the United Kingdom to improve the quality of performance information.

19.72 Our Office has pointed to a number of inaccuracies in the data or information provided in performance reports. For example, an audit of the Fisheries and Oceans fleet management program identified problems in the accuracy of information in the Departmental Performance Report (Chapter 29, Fisheries and Oceans — Fleet Management). In an audit of the RCMP earlier this year (Chapter 7), we found that information in the Departmental Performance Report was scant and inconsistent with information available in other sources. A previous audit of the Canadian International Development Agency (1998 Report, Chapter 21) observed that CIDA needed to review the information in its performance report more rigorously to ensure that it was accurate and balanced. We made a similar observation this year in Chapter 14 on CIDA's Canadian Partnership Branch.

19.73 The Treasury Board Secretariat should require that departmental performance reports indicate the extent to which performance information has been verified or validated.

19.74 Too early for cost information on results. The importance of proper cost information to good performance reporting and to managing for results continues to be a concern of this Office. In 1999, Chapter 21, we reported on the Financial Information Strategy (FIS) designed to help the government strengthen its management of business lines and its accountability to Parliament. Departments are to integrate financial information with non-financial (operational) information and use it both in day-to-day management and in accountability reporting to Parliament. The 1999 audit found that most departments were only starting to focus on the FIS, despite a target implementation date of 1 April 2001.

Exhibit 19.9

Good Practices to Improve the Quality of Performance Information

The UK National Audit Office recently issued guidance on good practices in performance reporting. It states that systems for collecting and validating performance data are likely to be more robust when agencies:

- define the quality of data in advance,
- seek advice from specialists,
- establish clear performance measure definitions,
- designate who is accountable for performance data,
- managers are active in obtaining good quality performance data, and
- develop and implement effective controls over the collection of data.

Source: Good Practice in Performance Reporting in Executive Agencies and Non-departmental Public Bodies, Report of the Comptroller and Auditor General, UK, 2000.

19.75 In October 2000, we reported our assessment of financial management capabilities in selected departments. A common gap we found again was the limited ability to integrate financial and non-financial information. Most departments indicated that they had only begun the task of integrating financial and operational systems. In our latest audit of the federal initiative at managing for results (Chapter 20 of this Report), we also found a poor link between results and cost information. Our examination of 10 program areas found that limited cost information was available to departmental managers.

19.76 This gap has clear implications for individual departments and for the government as a whole. Until they are able to integrate information on costs and on results, departments cannot give Parliament and Canadians a realistic picture of what it has actually cost to produce a given result. In addition, senior management cannot readily forecast the costs of major decisions, like a decision to increase or decrease the level of service a program provides.

19.77 Performance reports generally state expenditures by business line, indicating the cost of producing all the business line's results. However, a few departments have included some spending information by sub-business line or by key results commitment. The RCMP, for example, gives inputs (finances and staff) for some of its business line components, while Natural Resources Canada gives the costs of selected components. The Treasury Board Secretariat has a project under way for departments to share their practices for linking financial and cost information to results.

19.78 The Treasury Board Secretariat should enhance its efforts to identify and share with departments practical approaches to linking financial and non-financial information.

Performance Reporting Shows Modest Improvement

19.79 As we have mentioned, initiatives to improve reporting to Parliament have a long history. The 1980s saw the introduction of the Part III of the Estimates, which moved reporting toward a purpose-based focus. The current performance reports are a significant improvement over those early efforts. And even in the past few years, departments have considerably improved the presentation of their performance information. Most show a good effort to situate the department and many are quite reader-friendly.

19.80 It also is clear, as we observe in Chapter 20 of this Report, that the concept of "results", including outcomes, has become widely accepted as the basis for reporting performance. The structure of reporting is clearly based on a department's Chart of Key Results Commitments. These charts form the basis for setting out the expected performance and reporting the results actually accomplished. The culture seems to have become more focussed on results, even if full implementation has yet to come.

Until they are able to integrate information on costs and on results, departments cannot give Parliament and Canadians a realistic picture of what it has actually cost to produce a given result.

Departments have considerably improved the presentation of their performance information. Most show a good effort to situate the department and many are quite reader-friendly.

Some departments show progress in communicating performance

19.81 No department we reviewed was exceptional in reporting its performance; our review showed that the practice is still evolving. Some departments are still trying to find a workable format and approach, and no overall "best practice" or "preferred model" for performance reporting emerged among the departments we reviewed.

19.82 While we did not examine the accuracy of the data they used, we did note that a number of departments have made steady progress in reporting their performance over the last several years:

- Atlantic Canada Opportunities Agency

- Canada Economic Development for Quebec Regions
- Citizenship and Immigration Canada
- Royal Canadian Mounted Police
- Western Economic Diversification Canada

Their reports offer several examples of good reporting practice, particularly in communicating performance.

19.83 Good practices in some areas but weaknesses in others. In our view, the better performance reports stated, at a level below the key results commitments, what the departments had expected to achieve and then reported against these specific expectations what they actually achieved. The five departments we have indicated did this to different degrees, using different approaches. Atlantic Canada Opportunities Agency, for example, set out in a short table the general aim of each activity area, described the specific result expected, and stated the result achieved, followed by a short discussion.

19.84 The RCMP's Departmental Performance Report for 1999 provided for each program area a well-laid-out, one-page discussion of its planned results (such as contributing to a decline in violent crime), an outline of the problem, the strategies used, its partners, the actual results (outputs and outcomes) and its planned improvements. The performance story was quite clear. More concrete statements of expectations would improve the report, however.

19.85 Citizenship and Immigration Canada (CIC) has adopted a "performance at a glance" approach. Before the section on accomplishments it states the performance that had been expected in each area and indicates whether that performance was achieved or not. This would be a good method for reporting forthrightly on performance that is less satisfactory than expected. We note, however, that the expected performance could be stated in the CIC report in clearer and more concrete terms with a stronger focus on outcomes, which would allow the reader to judge whether the actual performance is what was expected.

19.86 Reports of other departments had good features. A number of other departments had innovative reporting practices. For example, Natural Resources Canada has experimented over the years with different approaches to reporting. One section of its 1999 Departmental Performance Report features tables of selected indicators that show the performance expected, the trend and the current status of performance for each indicator, a discussion of its significance and its relationship to Natural Resources Canada programs, and what the Department is doing to improve performance in that area. These tables are clear and easy to read, but they need to be integrated into the overall performance story the Department is telling about each of its goals and objectives.

19.87 Agriculture and Agri-Food Canada has also adopted a reader-friendly approach to performance reporting. Its 1999 Performance Report features a colour pull-out with a "report card" listing its key results commitments, and it has checked off those that were met. While the format is easy to read and the report is concise (especially given that it is a large department), the information it provides is highly aggregated and includes no clear and concrete performance expectations. Thus, it is difficult to determine whether the Department is performing well or not.

Good performance reporting overall is still some years away

19.88 Based on our examination of their performance information, the 47 departments together have made only slow progress since our 1997 audit in reporting their performance. Some departments have improved some aspects of reporting, but on the whole, the

somewhat optimistic picture we presented in 1997 has not materialized.

19.89 The information the 47 departments presented in their reports on plans and priorities and their performance reports varied widely in quality. Some had made little progress over the three or four years; others had improved but had then fallen back below the level of their earlier reporting. Large and small departments differed little in the extent to which they improved their reporting.

19.90 Pilot departments did no better. We looked at the progress made by the 16 pilot departments (see Appendix A) that first reported in 1996, and compared it with the progress of other departments. Overall, their extra year of reporting experience and the additional flexibility they were provided did not put the pilot departments ahead of the others in the quality of their reporting. As a group, the pilots made uneven progress, and many other departments that had started a year later progressed further.

19.91 Some departments have not progressed. Several departments seem to have a lot of trouble "telling the performance story" in their performance reports. Many of their performance reports are little more than descriptions of activities carried out over the year. Performance expectations are vaguely stated and focus on activities, and they report as "accomplishments" the mere completion of those activities. Some of these reports have a section on how the department provides benefits to Canadians, but it is not linked to the department's activities and outputs and there is no discussion of intermediate outcomes so a reader can clearly see the connection.

19.92 Recommendations to departments in 1997 are still valid. The recommendations in our 1997 chapter on performance reporting are listed in Appendix C, which also indicates the extent to which they have been implemented. Overall, progress in addressing our recommendations has been unsatisfactory. The recommendations are still valid; the observations and recommendations in this chapter focus on further important areas that need to improve.

Treasury Board Secretariat Leadership for Reporting

19.93 Numerous efforts made over past years. The Treasury Board Secretariat has taken a relatively strong stance in promoting improved reporting to Parliament and, through an interactive and ongoing process, in developing departmental capacity for reporting. The Secretariat's efforts include the following:

- a Web site that contains a full array of past years' call letters, guidelines and reports (both reports on plans and priorities and departmental performance reports);
- regular information sessions (which were particularly well attended) when the Improved Reporting to Parliament Project was first introduced;
- the production of periodic question-and-answer newsletters;
- a symposium for practitioners in each of the past three years;
- peer review exercises; and
- internal technical assessments of reports.

19.94 We asked a few departments about the leadership shown by the Treasury Board Secretariat. They were generally satisfied with the Secretariat's support and leadership. The pilot departments particularly appreciated the flexibility they were given to try different reporting approaches. Yet there is a lack of practical guidance on reporting specific issues, like the performance of policy-making units and regulatory programs. Departmental officials said they

Large and small departments differed little in the extent to which they improved their reporting.

The Treasury Board Secretariat has taken a relatively strong stance in promoting improved reporting to Parliament.

would have appreciated more guidance on setting targets for results in such areas and defining appropriate indicators of performance.

19.95 Nevertheless, as already noted, progress by departments overall during these initial years of experimenting has been slow. Later, we discuss some possible reasons for this slow rate of progress, but it may be partly due to a lack of discipline in the reporting regime and the need for a stronger role by the Treasury Board Secretariat. As we have suggested, there are considerable differences in the way departments approach the basic elements of reporting like stating expectations clearly and concretely and reporting specifically against them.

The Treasury Board Secretariat and some departments are working on innovative electronic reporting or e-reporting.

Better electronic reporting needs to be encouraged

19.96 The Treasury Board Secretariat and some departments are working on innovative electronic or e-reporting. The Secretariat's Web site for the Improved Reporting to Parliament project provides a user-friendly guide to performance reporting. Users can access electronic versions of all departmental performance reports, reports on plans and priorities, and reports from the President of the Treasury Board for the current and previous year. They can also find an index of all references in performance reports to selected cross-department issues or government priorities, and an explanation of the Estimates process and the context in which these reports are produced.

19.97 Some departments have adopted their own innovative approaches to reporting through electronic media. Agriculture and Agri-Food Canada and Citizenship and Immigration Canada, for example, have each produced a more concise report by providing Web site references to more detailed information. This means that a reader can get more information on a particular area of interest by clicking on the appropriate Web address. A number of departments present their performance reports in a summary form that the reader can use to access details on particular issues through hot links. However, most departments simply post their performance reports on their Web sites.

19.98 More attention to e-reporting is needed. Electronic reporting solves the problem of providing both high-level summary information and more detailed information. Both serve various needs of parliamentarians and the public. Electronic reporting also opens the possibility of more timely analysis as well as horizontal and longitudinal analysis. This is clearly the direction of the future.

19.99 The Treasury Board Secretariat should encourage departments to share their experience in electronic reporting of departmental performance, and provide them with guidance on making their performance reports more concise and user-friendly.

Treasury Board Secretariat is focussing on collective reporting

19.100 In addition to its efforts to foster departmental reporting, the Treasury Board Secretariat has taken important steps to support collective reporting — reporting on performance in an area that involves more than one department or government. In recent years, it has taken the lead in government to develop a performance measurement framework for the Social Union Framework Agreement; has provided assistance to departments in developing their accountability and reporting frameworks; and has ensured that all Treasury Board submissions for funding of interdepartmental initiatives include a requirement for strong performance reporting. Lead departments of interdepartmental initiatives have indicated that they value the Secretariat's contribution.

19.101 The Treasury Board President's report provides valuable information. Since 1995, the President of the Treasury Board has tabled an annual overview document in Parliament. The first one, *Strengthening Government Review*, described how the government was managing, using and strengthening review. Subsequent annual reports have focussed more broadly on managing for results and reporting performance information, and have been tabled in Parliament along with all the departmental performance reports.

19.102 The President's reports are intended to provide an update on progress made by the government overall toward managing for results and reporting to Parliament on results. They have described government strategies for measuring and reporting on departmental, collective and societal results:

- In 1999, the report enhanced the information in the set of departmental performance reports tabled in Parliament by adding a compendium of all departments' charts of key results commitments.
- Successive reports have explored the presentation of performance information under each priority mentioned in the Speech from the Throne.
- Collective results are reported from different perspectives each year in response to requests from parliamentarians.
- Work to develop societal indicators is ongoing. The 1999 report made a significant contribution by presenting possible indicators to measure performance in three areas: Health, Environment and Public Safety; Economic Opportunity and Participation; and Social Participation and Inclusion.

19.103 However, it is true, as noted in the President's 1998 report, that "the government is not ready to give a comprehensive overview of government-wide performance." And the President's report itself is evolving, changing its focus and presentation every year. It does not report consistently what has been accomplished toward commitments made in previous years.

19.104 Nevertheless, important steps have been taken toward government-wide performance reporting. The challenge is to build on these initiatives, developing collective and societal indicators and presenting meaningful government-wide information in a convenient format for Parliament.

More Involvement of Parliamentarians Is Needed

Use by parliamentarians still limited

19.105 In 1997 we reported that the review and use of the new Estimates documents by standing committees was limited. This has not changed, essentially. Some committees have carried out reviews but most have not examined the Estimates documents. A major stumbling block identified frequently and noted in our 1997 Report is parliamentarians' frustration over the limits on the role they can play in the Estimates process.

Some parliamentary committees have carried out reviews but most have not examined the Estimates documents.

Improvements proposed to the current regime for reporting to Parliament

19.106 Parliamentary committees have examined reporting to Parliament. Since our Report in 1997, the Standing Committee on Procedure and House Affairs has tabled two reports to the House of Commons that looked at reporting to Parliament. In December 1998, the Committee made a number of recommendations for new structures, tools, and incentives to improve the business of supply (see Appendix D for a synthesis of the recommendations and the government's response). It also firmly supported improved reporting to Parliament and stronger government accountability for Estimates matters. Two innovations that were suggested are noteworthy: the creation of a new standing

The Standing Committee on Procedure and House Affairs firmly supported improved reporting to Parliament and stronger government accountability for Estimates matters.

committee on Estimates; and amendment of Standing Orders to give standing committees the ability to reallocate funds as an incentive to study the Estimates documents.

19.107 In its response, the government recognized the merits of the recommendations but did not support the substantial changes they implied. However, it agreed with the objective of improved reporting to Parliament and supported the continuation of its Improved Reporting to Parliament Project.

19.108 In its Thirty-Seventh Report tabled in June 2000, on Improved Financial Reporting to Parliament, the Standing Committee on Procedure and House Affairs made further recommendations. A subcommittee was struck to consider a number of proposals made by the government:

- **Tailored Estimates information for Parliament.** Performance plans would cover a three-year period. Performance reports would be based on key results and not processes, would disclose all relevant information, and would be based on government-wide costing standards. There would be increased reporting of results that involved more than one jurisdiction.

- **Streamlined and consolidated reporting for Parliament.** The government would enhance electronic access to information, consolidate reporting where possible, and make use of executive summaries.

- **Strengthened parliamentary review.** The role of standing committees would be strengthened by having them review the key results commitments of departments. The government would continue improving the Estimates reporting process, and encourage standing committees to review reports on plans and priorities and departmental performance reports.

- **Improved reporting of expenditures by use.** This proposal would consider integrating accrual accounting in the budgetary process and improve the spending information provided to Parliament in the Main and Supplementary Estimates.

19.109 For the most part, the subcommittee recommended that the government's proposals be accepted. In addition, it recommended that consideration be given again to establishing a standing committee on the Estimates, that more resources be provided to standing committees for review of Estimates documents, and that the reporting of activities or programs that span more than one department be consolidated. In testimony before the committee, this Office agreed in general with the Treasury Board Secretariat's proposals. Further detail on these proposals and the subcommittee's recommendations are in Appendix E to this chapter.

Members' suggestions for improvement

Members made a number of comments and suggestions for improving reports to Parliament.

19.110 We interviewed a number of chairs and vice-chairs of standing committees as well as staff and researchers. We also looked at the reports of a number of roundtables on reporting to Parliament that had involved members, and at the results of several Treasury Board Secretariat surveys of members of Parliament. Members made a number of comments and suggestions for improving reports to Parliament and for their subsequent review:

- Changes are needed in the process for parliamentary review of the Estimates if it is to become more meaningful. Some members pointed to the recommendations made by the Subcommittee on the Business of Supply.

- The new Estimates documents are still not very user-friendly. Information on programs of interest to members can be hard to find, and tracking information

from year to year can be difficult or impossible.

- Members need better dialogue with officials on reporting. One suggestion was that committees be more involved in the planning of performance reporting by, for example, reviewing performance expectations and results commitments.

- Departmental performance reports are not balanced, presenting only the "good news". As a result, their credibility is compromised.

- Another reporting weakness is the vagueness of performance expectations that "you can't hang your hat on."

Changes Are Required if Performance Reporting Is to Improve

The reporting regime has strengths

19.111 In reviewing the design and implementation of current reporting to Parliament, we noted a number of strengths:

- The clear intent is to focus strongly on reporting outcomes — the consequences of programs and services that matter to Canadians.

- All departments and agencies are reporting on their performance, and have done so now for three years.

- There is momentum: progress is being made, albeit slowly, and the government has made numerous efforts to engage parliamentarians on the issue of reporting.

- Government clearly sees the reporting initiative not as a singular effort but as part of meeting a larger need to manage for results, a key objective of its reform efforts.

19.112 Nevertheless, we found that progress has not been enough to ensure that departments and government will arrive at good performance reporting anytime soon. Clearly, along with some strengths there are a number of weaknesses in the current regime.

What is the problem?

19.113 Performance reporting has a long way to go. While we understand that good reporting takes time to develop, it is reasonable to expect that in the three to five years that departments have had, an organization dedicated to improving its performance reporting could have made significant progress. We were disappointed by the pace of the federal government's progress.

We found that progress has not been enough to ensure that departments and the government will arrive at good performance reporting anytime soon.

19.114 As we have noted, several departments have made steady progress each year, though they still have some way to go, and we would expect to see the same progress in the vast majority of departments and agencies. The uneven progress of some — the weakening of reporting, even — is a concern. At the current rate of progress, it will be many years before good performance reporting becomes routine. It is taking too long.

19.115 We had expected to see better progress and had not set out to try and explain the lack of progress. Nevertheless, three factors stand out as contributing to the current state of reporting:

- Too frequently, basic principles of good reporting are not understood or applied.

- Performance reporting takes place in a political environment.

- There have been no incentives available for good reporting practices or sanctions applied for bad.

There is frequently confusion or disagreement over basic principles of reporting.

19.116 Basic reporting principles not well accepted. As we have already observed, there is frequently confusion or disagreement over basic principles of reporting. For example we found the following:

- confusion over, and inconsistent interpretation of, what is needed to

articulate results commitments, performance expectations and performance measures;

- persistent attempts to report performance for only the latest fiscal year rather than the more appropriate period, "up to 31 March of …"; and

- infrequent recognition of the principle that performance reporting requires a meaningful comparison with previous levels of performance, with performance of similar programs elsewhere and/or with previously determined performance expectations stated clearly and concretely, so that readers can assess not only what was done — the results accomplished — but also how well it was done — how close it came to the intended outcome.

An important feature of performance reporting and managing for results is that those involved use similar concepts and similar terms to describe the key elements of reporting, such as performance expectations.

19.117 Poor performance reporting is safe reporting. In our view, perhaps the chief drawback at present is that an organization that does not work to improve its reporting suffers no adverse effects as a result. It may receive unfavourable comment from its parliamentary committee and some pressure to improve by mid-level officials in the Treasury Board Secretariat, but essentially departments can meet minimum requirements and not devote much attention to reporting. Reporting only a list of various activities carried out is a safe route to follow, ensuring for the most part that officials and the minister do not have to answer any tough questions about the department's performance as a result of its formal reports to Parliament.

Reporting to Parliament on the performance of government programs and services takes place in a political environment that is frequently adversarial.

Clear and common reporting principles are needed

19.118 In 1997, this Office outlined its expectations for good reporting (see Exhibit 19.2). We used them as criteria in this audit. The Treasury Board, too, has set out guidelines for reports on plans and priorities and departmental performance reports that are quite consistent with our expectations. There are also guidelines for departments on setting out the underlying framework for reporting results, namely the Planning, Reporting and Accountability Structure, which is approved by Treasury Board. All of these guidelines, however, have not been clear and consistent over the years and departments have used them inconsistently. As a result, it is likely that departments currently use a variety of criteria to determine what constitutes good performance reporting. Further, what has so far not been done on a formal basis is to engage the users of the performance reports — specifically, members of parliamentary committees — in stipulating what they want and expect performance reports to provide. Given the record to date, it may be time to move toward agreed reporting principles.

19.119 As we pointed out in 1997, an important feature of performance reporting and managing for results is that those involved use similar concepts and similar terms to describe the key elements of reporting, such as performance expectations.

19.120 We note that the CCAF has work under way with the Canadian Council of Legislative Auditors and senior officials of a number of Canadian governments, including the federal government, to explore principles of good reporting.

19.121 The government should work with Parliament and its auditor to agree on principles for reporting performance information to Parliament.

Performance is reported in a political environment

19.122 Reporting to Parliament on the performance of government programs and services takes place in a political environment that is frequently adversarial. Expectations for full and balanced reporting need to be tempered with the realization that what may be seen as a "report card" on government is a recent feature of public accountability. The intent of performance reporting is to enhance

debate in Parliament and the public at large on the workings of government. But clearly, there is a risk that performance reporting could become a political tool of ministers or the opposition rather than a source of better information. At present, there is little incentive to report the "bad news". Performance reporting does not yet play a significant role in Parliament. It will take time for balanced performance reporting to become a useful factor in parliamentary debate and scrutiny.

19.123 The more that reporting is seen to provide a balanced and factual account of how well programs are working and what is learned when things do not work, the more effectively it can enhance parliamentary debate and build trust in government. The more routine that performance reporting becomes, the sooner it is likely to be accepted as a normal part of public accountability. The more that performance reports are seen to withhold information, the greater will be their vulnerability to political use.

More consideration of incentives needed

19.124 An award for good reporting is a good idea. The Treasury Board Secretariat is planning to present several awards each year for the best performance reports. An outside committee has been identified and the first awards were planned for fall 2000. In our view, this is a good step and provides some encouragement to departments to improve their reporting. It parallels the Auditor General's Award for Excellence in Annual Reporting by Crown Corporations, now in its seventh year.

19.125 Good reporting is based on good managing for results. The information that departments include in their performance reports should come from the information systems they use to manage. The more a department is managing for results, the more likely it will be to have good information for external reporting. Chapter 20 discusses a number of factors that can encourage a focus on results and hence improve reporting.

19.126 A role of assurance. While departments must be responsible for the integrity of their data, reporting regimes in other jurisdictions have often included the provision of assurance in the role of their external auditors. In Alberta, the Auditor General audits ministries' reporting of methodology and, at the same time, reviews their information systems and whether they are compatible with the ministries' internal control frameworks. In New Zealand, the Audit Office provides assurance on the fairness of reported performance achievements, while the audit office of Western Australia provides assurance that performance indicators are relevant and appropriate. The Texas audit office audits performance data for accuracy, while in Florida, performance measures proposed by state agencies are reviewed by a legislative office for validity and reliability.

19.127 At the federal level in Canada, the Office of the Auditor General assesses the performance information in the annual reports of three newly created agencies and provides assurance of its fairness and reliability.

19.128 A role for internal audit. Modern comptrollership contends that internal audit should audit and verify the accuracy and completeness of performance information. To date, however, this role for internal audit has not been substantively addressed. The procedures for verifying performance information are still not well defined, and internal audit units in departments generally lack the needed skills and experience. A draft Treasury Board policy on internal audit does call for it to play this assurance role. We agree with that policy. Internal audit ought to be the first place a department turns to for assurance of its data quality.

The information that departments include in their performance reports should come from the information systems they use to manage.

Internal audit ought to be the first place a department turns to for assurance of its data quality.

19.129 The Treasury Board Secretariat and departments should develop the capacity of internal audit to provide assurance to deputy heads on the quality of information reported to Parliament and information used for decision making.

A stronger challenge of expectations is required

19.130 In some jurisdictions, departmental performance expectations are challenged externally. We note that in many other jurisdictions, departments' statements of expected performance are subjected to a degree of challenge from outside the organization. Government caucus members of the legislature in Alberta and Ontario have been involved in reviewing performance expectations and setting targets, as well as reviewing reported results. In other cases, such as the U.S. and the states of Florida and Texas, legislative and executive oversight bodies review and challenge agencies' performance expectations and specific targets for performance as part of the budgetary approval process.

Setting and challenging performance expectations is an integral part of effective planning and priority setting.

19.131 Treasury Board Secretariat review is limited. Treasury Board Secretariat officials provide some level of challenge to departments but it is informal and limited. Questions typically come from the Secretariat's liaison officer for performance reporting, not the Treasury Board analyst who is responsible for reviewing departments' requests for funding and for program changes and assessing program integrity (identifying strategic program issues and the critical risks to the continued achievement of results). The Secretariat may not always be in a position to question a quantity specified as a planned result — the magnitude of the change expected. But as a management board it could usefully challenge the way departments have stated their performance expectations and how they arrived at them. Results reported against clearly stated planned results would thus be a key element in the Secretariat's assessment of departmental programs.

19.132 Parliamentary review of expected performance would be beneficial. There would be an advantage to Parliament's involvement in reviewing departments' statements of expected performance. This review could be after the reports on plans and priorities are tabled in the spring, or part of a review of performance reports in the fall; it would provide a healthy challenge to departments. Involvement of parliamentarians in articulating expected performance would likely motivate departments to report back to Parliament fairly and reliably. It would also provide an incentive for parliamentarians to review and use the Estimates information more fully.

19.133 Equally important, however, would be an effective challenge within departments of both the performance expectations and the actual results reported back against them. This would normally involve the senior management of the department. Setting and challenging performance expectations is an integral part of effective planning and priority setting. If departments are to manage for results, they need to plan for realistic and challenging results and to state them as clear, concrete and time-specific performance expectations that all senior managers accept. In turn, the results reported against the expectations first need to undergo scrutiny by senior management, not only to assure the validity of the information but also to reaffirm its relevance. If the results achieved are not meeting the performance expectations, changes in the program may be needed, or the planned results may need to be reconsidered.

19.134 The Treasury Board Secretariat should provide a stronger challenge to departments' statements of expected performance.

19.135 The government should encourage departments to discuss their performance expectations with the related standing committees.

A stronger role for parliamentary committees

19.136 We suggested in 1997 that standing committees might wish to strengthen their review of Estimates documents. In February 1998, we provided all members with *Parliamentary Committee Review of the Revised Estimates Documents*, a report that described the Estimates system and offered suggestions for carrying out such a review. We still believe that a strengthened review would be useful for committee work and would influence departments to improve the performance information they provide.

19.137 Mechanisms for reporting to the House are important. In 1997, we noted that new arrangements were needed to facilitate reporting by standing committees on the fall departmental performance reports. At present, the rules of the House provide for committee scrutiny of the Main Estimates as part of the business of Supply. The committees also need the reports on plans and priorities in order to understand the votes in the Main Estimates. Since 1994, the rules have allowed committees to consider and report on those plans and priorities. In addition, a standing committee can study and report on any matter relating to the mandate, management and operation of the departments and agencies it oversees. While there is nothing to preclude committees' considering departmental performance reports and reporting their findings to the House, there is no rule explicitly empowering them to do so. The adoption of an explicit Standing Order would indicate the House's willingness to receive and consider committee reports based on the examination of departmental performance reports. It would encourage committees to hold more hearings and report more often to the House. For example, the House adopted a specific Standing Order in 1994 to empower the Standing Committee on Finance to hold pre-Budget consultations.

19.138 Parliament may wish to consider an enhanced role for its committees in reviewing Estimates documents, including review of the statements by departments of their expected performance.

Is it time for legislation?

19.139 As we have noted, in 1995 the government revised the Expenditure Management System and initiated the Improved Reporting to Parliament project to improve the Estimates documents. To date, these reforms have not been established in legislation.

19.140 Under the *Financial Administration Act*, the Treasury Board is responsible for all matters related to financial management, including the Estimates. The Treasury Board Secretariat has issued guidance to departments, requiring that financial and non-financial performance information be provided to Parliament. However, the form and content of the Estimates documents are not specified in legislation, and may be changed by the government, although in the past the government has also sought Parliament's agreement.

19.141 Parliament agreed in 1997 to split the Part III Estimates into the reports on plans and priorities and the departmental performance reports, but it did so only on a pilot basis. For the past three years, all departments have provided performance information to Parliament but there is no certainty that parliamentarians will continue to receive this type of information from departments after the pilot project ends.

19.142 In June 2000 the Standing Committee on Procedure and House Affairs recommended that parliamentary review be strengthened and, in particular,

We believe that a strengthened parliamentary review would be useful for committee work and would influence departments to improve the performance information they provide.

In our view, it is time for the government to consider introducing accountability legislation.

that the government reconsider the recommendations in the Committee's 1998 report on the subject. In the earlier report, the Committee had endorsed the pilot project to improve reporting to Parliament and had recommended that standing committees make full use of the information on departmental plans and performance in their study of the Estimates. The Committee considered that good performance reports should increase Parliament's ability to know what the government is accomplishing with the dollars and authorities granted to it and to effectively challenge government plans for priorities and spending in the future.

19.143 It is clear that good reporting on performance can increase Parliament's ability to scrutinize public expenditures. In light of the modest progress to date, we think a stronger and more politically visible initiative is needed, one that will focus the attention of parliamentarians and officials on reporting. In our view, it is time for the government to consider introducing accountability legislation.

19.144 Legislation alone will not ensure good reporting. But it could serve as a signal that Estimates reform is not a passing fad. The enactment of legislation would involve parliamentarians in designing a regime suitable to their needs. Moreover, legislation can secure further progress in a number of ways. It can:

- address concerns about the staying power of the federal reporting initiative. After five years of experimenting, legislation would ensure continuity over successive governments by formalizing the arrangement's permanence.

- provide an institutional anchor for results-based reporting initiatives, giving them standing to help ensure that they will continue to be taken seriously. The present initiative has clear objectives and some momentum, but it needs discipline and drive (see paragraph 19.111).

- provide Parliament with a focus for the scrutiny of public spending. Faced with the requirements of full and routine disclosure, departmental reporting may become more balanced and include performance that falls below expectations, making reports more credible to parliamentarians (paragraph 19.65).

- establish reporting principles and stipulate required form and content, based on experience to date. This would lead to a common basis for assessing the performance of departments, using consistent terms and interpretations (paragraph 19.118).

- allow central agencies to more effectively champion good performance reporting (paragraph 19.95).

- confirm the goal of reporting performance not only by department but also government-wide or by sector (paragraph 19.104).

19.145 However, some pitfalls associated with enacting legislation must be recognized. Care needs to be taken to not impose too much rigidity in a legislated reporting regime. Conformance by requirement rather than by conviction would not be very productive. Accountability legislation will have the desired effect only if all concerned —

Exhibit 19.10

Accountability Legislation in Other Jurisdictions – Examples

Jurisdiction	Accountability Legislation
Canada	
Alberta	*Government Accountability Act*, 1995
British Columbia	*Budget Transparency and Accountability Act*, 2000
Quebec	*Public Administration Act*, 2000
Australia	
Western Australia	*Financial Administration and Audit Act*, 1985
New Zealand	*Public Finance Act*, 1989
United States	
Federal government	*Government Performance and Results Act*, 1993
Florida	*Government Performance and Accountability Act*, 1994
Oregon	*Oregon Progress Board Act*, 1997
Texas	*General Appropriations Act*, 1995

ministers, parliamentarians and officials — show their continuing commitment to good reporting.

19.146 A number of other countries have recognized the need for legislation, as have several Canadian provinces. We noted in 1997 that some of these jurisdictions had enacted accountability legislation; since then, more have done so (see Exhibit 19.10).

19.147 The government should give consideration to legislative proposals that would require regular reporting of financial and non-financial performance information to Parliament by departments and, as appropriate, by the government as a whole, in order to demonstrate its commitment to a focus on results and to strengthen public accountability across government.

Conclusion

19.148 Good performance information is essential to informing Parliament and the public about what the government has accomplished with taxpayers' dollars. It is also essential to good management. Moving to a results-based culture is not easy and we recognize that it takes time to establish good performance reporting.

19.149 Nevertheless, we had expected to find noticeable progress by now, and we were disappointed. Only marginal progress has been made; the majority of departments and agencies we examined had progressed very little toward good performance reporting. This was despite the leadership shown by the Treasury Board Secretariat. At the present pace, it will take too many years for good reporting to become routine.

19.150 Aspects of current reporting to Parliament are sound: the focus on outcomes, the inclusion of all departments and agencies, the efforts made to engage parliamentarians, and the perception of reporting as part of a larger government priority — managing for results.

19.151 However, we think significant changes are needed in the current reporting regime to move things along:

- the development, communication and consistent use of basic reporting principles;
- a requirement to report on the reliability of performance data;
- enhanced efforts to link financial and non-financial performance information;
- a stronger internal and external challenge to the performance expectations set by departments;
- strengthened review by parliamentary committees of reports on plans and priorities and departmental performance reports; and
- consideration given to enshrining in legislation the requirement for reporting performance to Parliament.

Government's response: *We note that the Auditor General agrees with the approach the government is taking to improve reporting to Parliament, but feels that the pace of improvement has been too slow. In paragraph 19.151, he summarizes his recommendations to increase the pace of improvement.*

Other than the recommendation that the government actively consider legislation as the means for confirming the current reporting approach, the government has actions under way or planned that respond to the Auditor General's recommendations. Results for Canadians: A Management Framework for the Government of Canada, *tabled in Parliament in March 2000, provides the foundations for the changes in management culture that are also essential to improve reporting to the public and Parliament. Improved Reporting to Parliament is one of the six key initiatives identified with respect to the*

Accountability legislation will have the desired effect only if all concerned show their continuing commitment to good reporting.

implementation of the Results for Canadians *management framework.*

Among other things, good reporting must reflect how departments actually manage and deliver results. The federal approach puts the emphasis on:

- *results in serving Canadians;*
- *measuring performance, making improvements and learning from experience; and*
- *being open and transparent with Parliament and Canadians.*

Better linking of results and cost information and other improvements in measuring performance are key elements of this plan, as is continuing to work with Parliament with the aim of improving electronic access and developing standards for reporting.

In addition to its recommendations, the chapter notes some of the recent achievements in such areas as collaborative initiatives and electronic reporting. The chapter is balanced, recognizing significant accomplishments to date, and identifying areas that need further improvement. For these reasons, we believe the chapter is helpful and can serve as a benchmark for measuring further progress.



About the Audit

Objectives

One objective of the audit was to assess progress in reporting performance information to Parliament, by examining the following:

- the current state (quality) of departmental performance plans and reports;
- the leadership provided by Treasury Board Secretariat in furthering reporting; and
- the use that standing committees make of performance plans and reports, and any impediments to that use.

We also set out to assess the strengths and weaknesses of the federal regime for reporting on performance.

Scope

We reviewed the Estimates documents of 47 departments and agencies, specifically their reports on plans and priorities for 1995-96 to 2000-01, and departmental performance reports up to and including 1999. These were the larger departments and agencies, including the 16 that had piloted performance reports in 1996, and a sample of smaller agencies. We followed up on the observations and recommendations of our 1997 Report, Chapter 5, Reporting Performance in the Expenditure Management System.

As this was a government-wide audit of the current status of performance reporting and its progress, we did not audit the reliability or accuracy of performance information in reports on plans and priorities and departmental performance reports.

We reviewed testimony from a number of hearings on Estimates documents held by standing committees.

Criteria

We assessed performance reporting against the criteria set out in our 1997 chapter on performance reporting, namely:

- clear presentation of context and strategies;
- clearly and concretely stated performance expectations;
- reporting of outcome-focussed performance accomplishments against expectations;
- demonstrated capacity to learn and adapt; and
- reporting of fair and reliable information.

More detailed expectations for good performance reporting are provided in Exhibit 19.2.

We expected that the Treasury Board Secretariat would:

- have procedures in place to ensure a reasonable rate of progress in improving performance reporting;

- provide adequate guidance and direction, leadership, and demonstrated commitment, including the use of incentives and the building of expertise in departments;
- gather and disseminate best practices and lessons learned;
- work with parliamentarians to develop means of enhancing parliamentary use of departmental performance information, and
- report to Parliament on the government-wide progress of performance reporting and managing for results.

We expected that parliamentarians would identify the use they make of departmental performance reports and the impediments to that use.

In examining the reporting regime, we looked for the extent to which it allows readers of performance reports to assess how well an entity is performing, supports accountability to Parliament, and is consistent with other government initiatives.

Approach

To assess the state of performance reporting, we developed a rating system based on our criteria for good reporting. We developed indices for the key criteria of setting out clear and concrete accomplishments and of reporting outcome-focussed accomplishments against expectations. We used a similar approach to examine the three other criteria of good reporting. We also undertook a more qualitative analysis, reviewing the Estimates documents for general readability, presentation, and consistency from year to year.

We conducted interviews with departmental and Treasury Board Secretariat officials and discussed improved reporting with a number of standing committee chairs and vice chairs. We also interviewed Library of Parliament staff about the use of performance information by parliamentary standing committees. We observed several standing committee hearings and reviewed related testimony and several reports pertaining to parliamentary involvement in the review of Estimates documents.

We reviewed Treasury Board Secretariat documents and attended several events sponsored by the Secretariat in support of performance reporting. We reviewed literature on accountability legislation and reporting practices in other jurisdictions.

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Appendix A

Departments and Agencies Whose Reports We Examined

Agriculture and Agri-Food Canada*

Atlantic Canada Opportunities Agency*

Atomic Energy Control Board

Canada Economic Development for the Regions of Quebec

Canadian Centre for Management Development

Canadian Heritage

Canadian Human Rights Commission

Canadian International Development Agency

Canadian International Trade Tribunal

Canadian Radio-television and Telecommunications Commission

Citizenship and Immigration Canada

Competition Tribunal

Correctional Service Canada

Department of Finance

Department of Foreign Affairs and International Trade

Department of Justice

Environment Canada*

Fisheries and Oceans *

Health Canada

Human Resources Development Canada

Immigration and Refugee Board*

Indian and Northern Affairs Canada and Canadian Polar Commission*

Industry Canada

National Defence

National Energy Board*

National Film Board

National Library of Canada

National Parole Board*

Natural Resources Canada*

Natural Sciences and Engineering Research Council of Canada

Office of the Commissioner of Official Languages

Office of the Correctional Investigator

Office of the Superintendent of Financial Institutions

Offices of the Information and Privacy Commissioners

Public Service Commission of Canada

Public Works and Government Services Canada

RCMP Public Complaints Commission

Revenue Canada (now Canada Customs and Revenue Agency) *

Royal Canadian Mounted Police*

Social Sciences and Humanities Research Council of Canada

Statistics Canada*

Status of Women Canada*

Transport Canada*

Treasury Board Secretariat*

Veterans Affairs Canada*

Western Economic Diversification Canada

* Departments and agencies that piloted performance reports in 1996.

Appendix B

Setting Outcome Expectations

Clear performance expectations allow a reader to understand the result that is desired. Concrete performance expectations indicate not only the direction sought but also "how much" of the result is sought. Without this indication of "how much", the reader has no way of assessing whether the accomplishments reported are adequate, show progress, or meet expectations.

Making expectations concrete does not necessarily mean expressing them as numerical targets. Many performance expectations can and should be expressed in this way. But there is a danger that emphasizing only numerical or quantitative targets may limit the stated expectations — and hence reporting — to what can readily be quantified. More important, results could be neglected or their achievement undermined by focussing on results that are less important but easier to measure.

In addition to numerical targets, concrete performance expectations may be expressed as:

- a numerical range rather than a specific amount;
- the existence or lack of a result (0–1 variable);
- a defined scale of accomplishments, such as "good", "fair" and "poor"; and
- a significant contribution to a result, where "significant" has been defined.

There is a "results chain" of outputs, intermediate outcomes and end outcomes that describe a program. This chain is what is expected to occur, and departments ought to be able to specify in measurable terms the magnitude and timing of at least some of these results. With this in mind, concrete expectations can mean that at least some of the specific results in the chain are measurable. Clear expectations would then include the clarity of the logic behind the linkages between different levels of results.

We can then look for a clear and concrete chain of results rather than of necessarily only discrete expected results.

Appendix C

Status of Our 1997 Recommendations on Performance Reporting

Recommendations	Comments
Departments should:	
Ensure that their reports contain appropriate references to more detailed sources of information (1997 Chapter 5, paragraph 5.46).	**Satisfactory progress.** A number of departments give Web site addresses for more information.
Include in their performance reporting reference to related activities elsewhere in government, as well as discussion of all the key instruments that they use to achieve their objectives, including those instruments that are not reflected in estimates of spending for the coming year (5.59).	**Unknown.** This recommendation was not examined in the audit.
Establish clear and concrete statements of the performance expected from their lines of business. These should be included in their business plans, reports on plans and priorities, and performance reports (5.74).	**Unsatisfactory progress.** While statements of commitments and expected results have become more clear, they are seldom concrete.
Have performance reports which are more strategic, providing better account of the key aspects of performance (5.84).	**Unsatisfactory progress.** Departments are often not selective in what they report, overwhelming the reader with activity and output information.
Describe how the activities of their programs contribute to the reported outcomes (5.89).	**Unsatisfactory progress.** Few departments provide analyses on how their activities and outputs contribute to an outcome.
Report, where performance does not meet expectations, the performance gap, the reasons for it and the changes they are making to close the gap (5.98).	**Unsatisfactory progress.** Only a few departments report performance gaps, and fewer identify reasons or remedial actions.
Provide, where appropriate, an indication of the strengths and weaknesses of reported information and their implications for the reported performance. They should develop and implement procedures to ensure credibility and accuracy of the information reported (5.103).	**Unsatisfactory progress.** Performance reports do not adequately discuss data or information limitations. Accuracy of information was not assessed, but internal audit policy is now being revised to include provision of assurance.
The Treasury Board Secretariat should:	
Ensure the consistency of advice and feedback provided to departments on performance reporting (5.114).	**Satisfactory progress**. The Treasury Board Secretariat is co-ordinating advice and feedback, but definitions and usage are inconsistent.
Strengthen its efforts to document and communicate good practices by departments in articulating performance expectations, measuring results, and using the information to improve programs and report accomplishments (5.122).	**Satisfactory progress**. The Treasury Board Secretariat has instigated numerous activities to document and communicate good practice.

Recommendations	Comments
Ensure that individual departments are aware of Treasury Board Secretariat use of performance information provided in the departments' business plans and performance reports (5.125).	**Unsatisfactory progress.** The Treasury Board Secretariat has made little use of results information from departments.
The government, with Parliament's agreement, should:	
Ensure that the improvements in the reporting regime implemented on a pilot basis are made a permanent and formal feature of the Expenditure Management System covering all departments and agencies, and seek parliamentary approval for incorporating these improvements in the business of supply (5.53).	**Satisfactory progress**. Reporting by all government entities continues and commitment to report has been reinforced by government. Discussions with parliamentarians on ways to improve the regime have been held. Parliamentary committees have been engaged on the issue.
Standing committees may wish to:	
Consider strengthening their review, challenge and use of performance plans and reports from departments. Government should work with Parliament to develop means for enhanced parliamentary use of departmental performance information as input to the budget consultations (5.142).	**Little change.** There is currently little review of or challenge to performance plans or reports, and there is little use of performance reports by standing committees.

Key:
Fully addressed – The original audit finding has been fully addressed and no further action is needed. Our Office will not follow up.
Satisfactory progress – Reasonable progress has been made in addressing the original finding, but some additional action is required. Our Office will follow up.
Unsatisfactory progress – Reasonable progress has not been made in addressing the original finding and considerable further action is required. Our Office will follow up.

Source: Report of the Auditor General of Canada, Chapter 5, Reporting Performance in the Expenditure Management System, 1997.

Appendix D

Summary of Recommendations of the 1998 Standing Committee on Procedure and House Affairs, and the Government's Response

Areas of Focus	Recommendations	Response
Strengthen the parliamentary review of the Estimates and the supply process	Proposed the creation of a standing committee on the Estimates.	Recognized the merit of recommendation but cited significant obstacles, including policy and budgetary objectives, and workload restraints of current committee system. Suggested that House of Commons leaders consider whether an existing committee could be given ongoing responsibility for ensuring the effectiveness of the supply process.
Resource reallocation	Changes to Standing Orders to allow standing committees studying the Estimates to propose reallocations of up to five percent.	Stated that previous changes to the Standing Orders initiating the creation of the performance reports and reports on plans and priorities had already increased standing committee reallocation provisions. Anything beyond this might raise fundamental constitutional challenges.
Reporting to Parliament, review and accountability	Improve quality of information supplied to Parliament on government expenditures. Improve program and legislative review. Strengthen government accountability on Estimates matters.	Agreed with objectives and proposed launching a new initiative, building on the success of the existing Improved Reporting to Parliament Project. Result was the Improved Reporting to Parliament Project (Phase 2).

Appendix E

Summary of Proposals for Improved Reporting to Parliament Project (Phase 2) and Subcommittee Recommendations

Areas of Focus	Government Proposals	Recommendations of the Subcommittee on Procedure and House Affairs (June 2000)
Tailoring Estimates information for Parliament	Departmental reporting on plans and priorities and on performance to be based on key results and government priorities. Performance evidence on results, not processes. Reporting to cover a three-year planning period. Establishment of government-wide standards for reporting costs.	Proposed requirements should apply to all government departments and entities. Estimates should contain full disclosure of all relevant information concerning activities, programs or services. Reporting should cover a three-year period (except for large, non-recurring, capital projects).
Streamlining and consolidation reporting for Parliament	User-friendly electronic access, e.g., make pilot Estimates, performance and planning information sites available on Internet. Consolidation of departmental reporting. Provide executive summaries for longer Estimates reports.	Should explore possibility of consolidation of the reporting of activities, programs or services that span more than one department into a single heading.
Reviewing and strengthening parliamentary review processes	Strengthen role of standing committees in the Estimates reporting process by encouraging departments to engage them in reviewing their key results commitments. Encourage standing committees to review reports on plans and priorities and performance reports.	House of Commons should reconsider the establishment of a standing committee on the Estimates with a mandate to monitor and review the Estimates and the supply process. House of Commons should reconsider providing more resources to standing committees in order to support the review and analysis of Estimates and performance reports.
Improving information to Parliament on the government's expenditure plans and the use of funds in relation to these plans	Explore the merit and feasibility of integrating the principles of accrual accounting in the budgeting process and spending information in the Estimates. Establish clear links between information contained in the Estimates and the overall spending plans contained in the budgets.	Review of the Standing Orders to identify the items that would need to be changed in order to implement full accrual appropriations. House of Commons should consider ways of improving parliamentarians' level of understanding, knowledge, and ability to use financial, budgeting and supply information under full accrual basis.

Report of the Auditor General of Canada to the House of Commons – 2000

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Report of the Auditor General of Canada to the House of Commons

Chapter 20
Managing Departments for Results and
Managing Horizontal Issues for Results

December 2000

Report of the Auditor General of Canada to the House of Commons

Chapter 20
Managing Departments for Results and
Managing Horizontal Issues for Results



December 2000

This December 2000 Report comprises 18 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 2000 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 20

Managing Departments for Results and Managing Horizontal Issues for Results

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Managing Departments for Results and Managing Horizontal Issues for Results

Main Points

20.1 In our examination of five large federal departments and 10 programs, we found that several departments have made tangible efforts to focus on results. There was evidence of commitment and support by senior management, extensive planning activities, identification of key performance indicators and some measuring against them.

20.2 However, we found that only 4 of the 10 programs have information on results that is used routinely. In most departments we examined, the persistent state of planning for results — rather than actually managing for results — has meant that progress in using information on results has been limited since we reported on this issue in 1997. It is time for departments to move beyond planning. There is a need for more widespread measurement of the results they accomplish and use of that information to improve programs.

20.3 The government needs to ensure that the evaluation function plays a more central role in its move toward managing for results. The evaluation capacity in many departments has atrophied at a time when more effort, not less, is needed to measure the results of programs.

20.4 More and more, the government needs to manage initiatives that span two or more federal departments. "Horizontal" issues like the Federal Disability Agenda are often key priorities of government. Our study of three horizontal issues found that, like many departmental programs we audited, they were not being managed for results.

20.5 Over the past several years, the government has been clear about the importance of making results central to good management and accountability, and this vision is increasingly being accepted across government. However, bringing that recognition into practice will require central agencies to play a stronger role. They need to provide encouragement and support for departments to move beyond merely planning for results. We found the Treasury Board Secretariat's leadership too limited and its support too dispersed to be of real help to departments trying to manage for results. Nor does the Secretariat have a strategy for dealing with horizontal issues. It needs a strategic approach to these issues, given their growing presence in government.

Background and other observations

20.6 Managing for results allows managers to make changes once they know what is working and what is not. It represents a significant difference in the way government programs are managed. Managers can then pay more attention to finding out whether programs are meeting their objectives and less to only carrying out activities or setting up structures and processes.

20.7 The concept of managing for results is now widely accepted across government. As a first step in putting it into practice, most departments had to realign their management structures and processes according to the results they were seeking, and not to their programs or activities. Each department had to establish department-wide objectives and think through how it wanted to structure itself in terms of the results it expected. Most of the departments we audited were engaged in significant efforts to plan how they would manage for results.

20.8 In managing a horizontal issue for results, it is critical to have a co-ordinating function that is supported by senior management (particularly in a lead department) and that has enough resources to do the job.

20.9 Departments receive limited practical guidance on managing for results, and there is little sharing of experience. They need more encouragement to move beyond planning for results; there is also a need to identify champions.

20.10 While managing for results presents challenges, there are known, practical ways to deal with them. They require that people embrace the idea of learning from experience — which includes learning from mistakes. It involves bringing more rigour to understanding past experiences and then adjusting practices in light of this learning.

The response of the Treasury Board Secretariat, on behalf of the government and the departments audited, is included at the end of this chapter. The Secretariat accepts our recommendations and indicates the actions that it is taking or intends to take to address them.

Managing Departments for Results: Not There Yet

Introduction

20.11 Canadians continue to expect government to manage tax dollars efficiently and to ensure that they are getting value for their taxes. To manage public resources effectively toward an intended result, government officials need to have credible information on the performance of the programs and services they manage. This is the information they will use to determine whether the results they expect are being achieved, and whether their programs are working well or need to be modified.

20.12 The government needs similar information to account for the funds and authorities it has received from Parliament. Chapter 19 of this Report discusses the progress the government is making toward better reporting of performance information to Parliament.

Government Has Committed to a Long-Term Focus on Results

20.13 As early as 1976, the Treasury Board Secretariat promoted performance measurement as a basis for planning, decision making and improving management practices. During the 1980s, program evaluation was given high prominence as a management tool to improve program performance. In 1995, the government launched the current move toward a results-based approach to management. The President of the Treasury Board announced in his first annual report to Parliament, *Strengthening Government Review (1995)*, that the government was committed to delivering programs that work, by moving from a focus on rules and processes to a focus on results. He said that government wants to create a management culture that is fact-based, results-oriented, open and accountable. To deliver more efficient and more affordable programs and services, the government has embraced the principles of service quality, managing for results and continuous learning.

20.14 The President of the Treasury Board has reported annually to Parliament on the government's progress toward managing for results. The government has reiterated its commitment to a public service focussed on results in the Treasury Board Secretariat's publication, *Results for Canadians: A Management Framework for the Government of Canada 2000*.

Government managers need to have credible information on their programs to determine if they are working well or need to be modified.

20.15 In that publication, the Secretariat confirmed that it has a key role of leadership and facilitation to assist departments in achieving desired results. It aims to provide "whole-of-government" advice to ensure that Parliament and Canadians have the information they need to hold the government to account. These efforts should promote greater responsiveness and a focus on results in government operations.

20.16 The government has undertaken a number of reforms since the launch of the "managing for results" initiative in 1995. These include the reform of Estimates documents, the Modernization of Comptrollership Initiative, the Financial Information Strategy (FIS), an increased emphasis on service quality, and guidelines on preparing Treasury Board submissions that support managing for results. All of these emphasize and encourage a focus on results.

The government has undertaken a number of reforms since the launch of the "managing for results" initiative in 1995.

What Is "Managing for Results"?

20.17 Despite the government's commitment to managing for results, it continues to be a challenge and the concept still is not always understood. In our 1997 Report, Chapter 11, we discussed the government's efforts to move toward managing for results:

> In the past, managers were primarily held accountable for the prudent use

of the resources they were given, the authorities they used and the activities they carried out....This did not encourage a focus on results produced by the resources; rather, compliance dominated managers' attention (paragraph 11.9).

Managing for results in departments requires long-term strategic planning toward objectives while operating day-to-day activities and systems.

When managing for results, ministers, senior officials, and managers… make decisions based on what a program is achieving for Canadians — the results that citizens value — and at what cost....Holding managers accountable for results encourages them to focus more on results. (11.7-11.9)

20.18 A variety of terms are used to describe managing for results, including results-based management — frequently used in government publications — and performance-based management. These terms are essentially interchangeable, but for consistency we will use managing for results.

Making decisions based on empirical information — learning — is the heart of managing for results.

20.19 Managing public sector programs and organizations is a complex endeavour. There are several objectives to achieve, many information requirements to meet, external factors to take into account, public scrutiny to withstand, and many unknowns to cope with. Managing requires long-term strategic planning toward stated objectives while operating complex systems and processes day to day. Managers need to step back from time to time, and review activities and the outputs of activities to see if they are still the most appropriate to reach the long-term objectives. At the same time, as stated in *Results for Canadians*, managers must also be able to "ensure fairness, equity, and reasonableness of treatment to protect the broad interests of citizens." These enduring public sector values are part of the results governments seek to achieve. Exhibit 20.1 illustrates the main elements of managing an organization for results.

20.20 The exhibit illustrates the traditional cycle of planning, implementing, monitoring, reporting, and revising plans, but it adds a key component, learning: making decisions based on empirical information. This is at the heart of managing for results. By monitoring the results of its activities through a variety of means (evaluations, audits, performance measures, scans), an organization can learn what is working and what is not working. These activities can also provide information about other factors outside its control.

20.21 For example, monitoring will indicate whether AIDS information campaigns are helping to change behaviour; whether agri-food research and development activities are generating a positive return on investment (crops with higher yield and quality) while conserving the environment; and whether conservation programs are sufficiently reducing the risks to endangered species.

20.22 Based on information gathered through monitoring, the organization can then either modify its current operations or, more fundamentally, revise its business and strategic objectives. The organization can report to external bodies such as Parliament on what it has accomplished. Managers of government programs need information from the same sources if they are to manage for results and gauge their progress toward stated objectives. Gathering and assessing the relevant data and information — the monitoring element in Exhibit 20.1 — requires systematic effort and a variety of monitoring tools.

20.23 A critical step in moving toward managing for results is to align a department's various strategic objectives with the major groupings of its programs and services (often called business lines) and then with its individual programs. It is essential that departments clearly understand how the various program and service delivery activities support, and will lead to, the achievement of their

higher-level or strategic objectives. Many departments find this a daunting challenge.

An overview of results and performance concepts

20.24 Discussions of performance and managing for results can be confusing, as they involve a number of specific terms and several concepts that are important to distinguish. Exhibit 20.2 presents some of the key terms and concepts.

What We Found in 1997

20.25 We reported in 1997 that managing for results was not widespread in government at that time. There were a number of government initiatives that supported a focus on results, but concerted effort was needed to bring about real change. We identified a few cases where managers were measuring results, communicating information on results and using that information to improve results. However, across government the practice of managing for results appeared quite limited and we wanted to encourage its progress. We identified lessons learned, among them key factors that had supported managing for results; they included the leadership and commitment of senior management and an organizational climate that encouraged managing for results. We concluded that ongoing attention was needed across the government if managing for results was to be adopted throughout government.

Focus of the audit

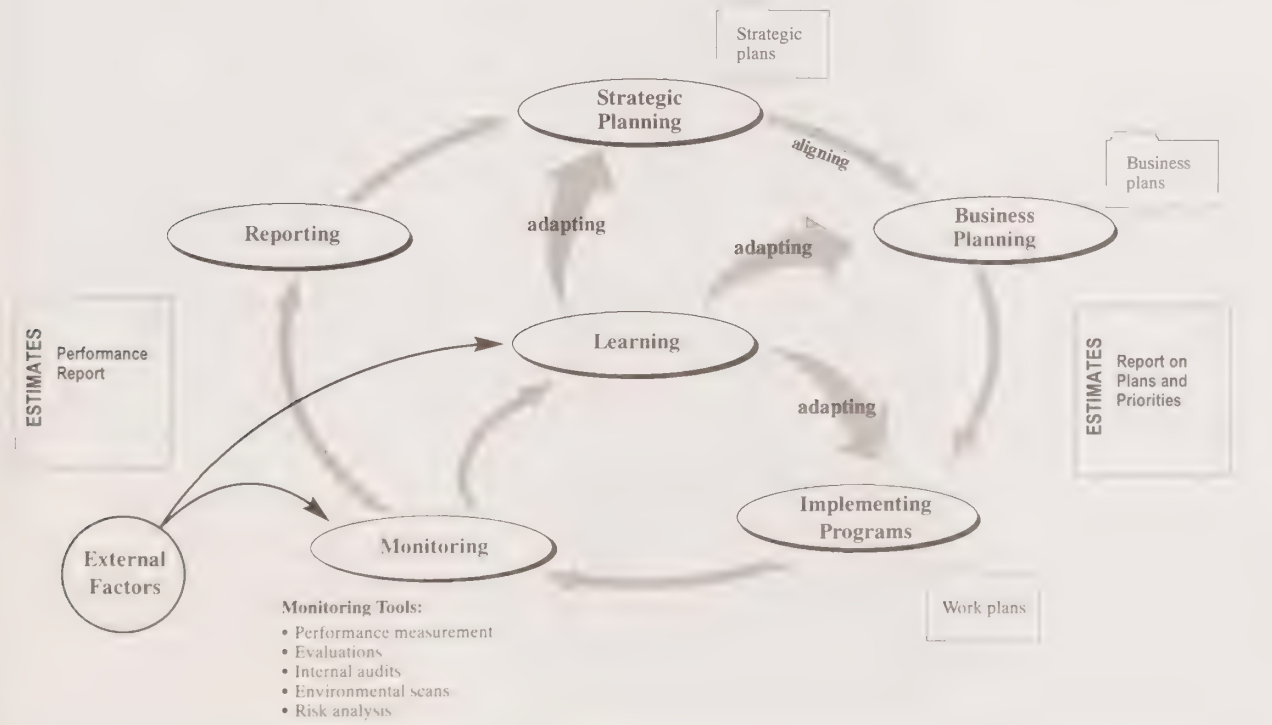
20.26 Our current audit looked at the progress a number of major departments have made in managing for results. The audit was in part a follow-up on the cases we reported in 1997, Chapter 11. This time our objectives were to:

- examine the extent to which selected departments are managing for results,

In 1997, we reported that managing for results was not widespread in government and concerted effort was needed to bring about real change.

Exhibit 20.1

Managing for Results: A Learning Process



including their use of information on performance to manage programs;

- identify lessons learned in managing for results; and

- assess the leadership the Treasury Board Secretariat has provided to support managing for results throughout government.

20.27 During this audit, we examined five large departments, covering a variety of program types. In each department we asked officials to help identify areas where the use of performance information could be expected. Exhibit 20.3 lists the programs and business lines that we selected (see Appendix A for background descriptions). We examined them to determine to what extent performance information is actually used and to what

Exhibit 20.2

Results and Performance Terms

The concept of **performance** deals with how well things are done:

- Are the expected results accomplished?
- Are they accomplished within budget and in the most efficient manner?
- Are there undue, unintended consequences?

It also deals with whether the performance will continue or improve:

- Is the organization learning from past experience and adapting?

Performance, then, covers a number of ideas. Determining the specific aspect of performance to measure, and when, is not always straightforward. Government programs undertake a number of **activities** that produce a variety of **results**. Programs deliver two kinds of results: **outputs**, the direct products and services produced by government activities, and **outcomes**, the consequences of those outputs on Canadians and our society. Outputs are results that managers can control, while outcomes are influenced by factors outside the programs of managers.

Government organizations and programs seek to achieve certain aims or objectives. **Objective** is used to refer to general statements of intent, akin to the end outcome statements. It is the intended or planned outputs and intermediate outcomes that are key to managing for results. Actual performance can be assessed only in comparison with some level of expected performance. Establishing meaningful performance expectations is therefore an essential part of assessing a program's performance and managing toward those ends.

Elder Abuse Prevention Program	
Results	**Specific Program Result**
Outputs	**Public education** • Educational material on elder abuse with targeted distribution • Anti-abuse campaigns
Intermediate outcomes	**Increased awareness** • Increased co-ordination among professional agencies, including police, hospitals and banks • Increased understanding of elder abuse • Improved identification of victims and abusers • Increased number of reported incidences of elder abuse • Increased number of shelter networks
End outcomes	**Increase in well-being of older Canadians** • Fewer incidences of elder abuse • Reduced costs associated with abuse

extent other elements of managing for results are present. We also sought to identify the lessons these departments have learned in managing for results, as well as the obstacles they have faced.

20.28 As follow-up to our 1996 Report, Chapter 3, on federal program evaluation, we also examined how the same five departments plan for evaluation and use evaluation results to improve programs.

20.29 The second part of this chapter describes a study that focussed on managing horizontal issues for results. We identified the challenges that horizontal issues present and some factors that have helped (and hindered) in managing them for, and reporting, results.

20.30 Further details on our objectives, criteria and approach can be found at the end of the chapter in **About the Audit**.

Observations and Recommendations

What Happened to Our 1997 Cases?

20.31 We followed up on the cases discussed in our 1997 Report, Chapter 11 namely, the North American Waterfowl Management Plan (Environment Canada), Investigation and Control (Human Resources Development Canada), Canadian Centre for Mineral and Energy Technology (Natural Resources Canada), and the Travellers Program (Canada Customs and Revenue Agency). Our key finding was that these programs have continued since 1997 to manage for results. Appendix B provides further details on our follow-up.

20.32 Our 1997 Report emphasized the importance of fostering an approach of managing for results in an organization, and the important part that senior leadership plays in this. Over time, programs change and so do leaders. Indeed, each of our case studies has changed since 1997, some considerably, and all of them have seen a change of leadership. Our follow-up observations suggest that if implanted well enough in an organization, managing for results can withstand change and continue, even as programs adapt to new circumstances.

A Framework for Department-Wide Managing for Results

20.33 Based on a review of the relevant literature and on the several specific cases we examined in the federal government, we presented a framework in 1997 for successfully managing a program for results. The framework had four elements:

- fostering an organizational climate that encourages managing for results;
- agreeing on expected results;
- measuring actual results to improve performance; and
- effectively reporting performance.

20.34 We think this framework is still valid to use in managing programs for results. However, based on what we found in our current examination of

This audit examined the progress five large departments have made in managing for results.

Exhibit 20.3

Programs and Business Lines Examined

Agriculture and Agri-Food Canada
- Prairie Farm Rehabilitation Administration
- Net Income Stabilization Account

Correctional Service Canada
- Reintegration of Offenders
- Aboriginal Reintegration

Environment Canada
- Nature
- Canadian Wildlife Service

Industry Canada
- Trade
- Connectedness

Natural Resources Canada
- Canada's Model Forest Program
- Aeronautical and Technical Services

department-wide efforts, we have modified the framework slightly. We have highlighted the need to manage for results department-wide. We have also pointed to the need to use performance information for improving programs and identifying good practices (see Exhibit 20.4).

20.35 In addition, we have highlighted the need to develop and reach agreement in the department on a strategic results framework. Reaching agreement on the broad grouping of results that a department is trying to achieve is an important step in organizing to manage for results. A department needs its key players to agree on the strategic results it intends to achieve, on the general strategies it will use, and on the way it will structure itself to achieve those results. We observed that departments are using their business line structure — the planning, reporting and accountability structure — to link the

Exhibit 20.4

Framework for Managing Departments for Results

Managing an organization for results requires:

1. **Fostering an organizational climate that encourages managing for results**

   Fostering an appropriate organizational climate is essential and requires:

   - **Demonstrating commitment and leadership**. Commitment is demonstrated by such things as strong senior support, widely communicated mission statements, effective guidance to line managers and thinking that extends over a number of years.
   - **Using external and internal levers**. Interests in common with external partners are recognized and used along with external and internal pressures and events to encourage a focus on results.
   - **Creating supporting incentives**. Appropriate incentives are in place to encourage the measurement of performance and the use of performance information.
   - **Developing a capacity to learn and adapt**. Learning from past experience, proactive monitoring of the environment and developing a capacity to cope with changing circumstances are encouraged.
   - **Building expertise**. Learning is supported through training, professional development, use of a common terminology and the sharing of experience.

2. **Agreeing on a strategic results framework**

   The organization needs to come to an agreement among key players on the overall strategic results it intends to achieve and how best to structure itself to achieve them.

   - **Agreeing on strategic objectives and strategies**. Agreement is reached on a set of strategic objectives for the organization, outlining what it intends to accomplish using which strategies over a multi-year time frame, in light of the organization's mission, past experience and external environment.
   - **Agreeing on results alignment**. Agreement is reached on how the strategic objectives are aligned down through the organization to individual program areas.

3. **Agreeing on expected results and strategies for programs**

   Managing for results entails reaching reasonable agreement among departmental management, program staff, external partners and other key stakeholders on what outcomes the programs are intended to accomplish and the specific strategies for achieving them.

   - **Agreeing on outcome objectives and strategies**. Agreement is reached on a set of outcome objectives for each program and the strategies to be used, outlining the program's intended accomplishments in light of the organization's strategic objectives.
   - **Agreeing on performance expectations**. Agreement is reached on a set of realistic and challenging statements of what is intended to be accomplished. Expectations are clear and concrete, relate to the outcome objectives and specify a time frame for their achievement.
   - **Agreeing on performance indicators**. Agreement is reached on a manageable set of qualitative or quantitative indicators of each program's performance that relate to the agreed outcome objectives, and that will be used to assess and manage the program.

Exhibit 20.4 (cont'd)

4. Measuring results to track performance

The organization needs to gather and communicate information on performance:

- **Measuring performance**. Practices exist for collecting and assessing program performance and costs using the indicators identified and agreed on.
- **Evaluating programs**. Practices exist to measure the performance of programs through evaluation.
- **Reviewing and updating indicators and measures**. Based on experience gained, changing circumstances and experience in similar programs elsewhere, the performance indicators, expectations, and measurement and communication strategies are periodically reviewed and improved.

5. Using information to improve performance

Realizing the benefits from managing for results requires:

- **Using performance information**. The performance information gathered and assessed is used to improve program performance.
- **Identifying good practices**. Based on what is found to work and not work, lessons and good practices are identified and used to improve performance. Learning occurs.

6. Effectively reporting performance

Effective reporting to allow interested stakeholders to judge how well programs and the organization are doing requires:

- **Describing the context and the strategies used**. The mission, mandate and objectives of the organization, the major strategies used, and the related external context are discussed.
- **Stating meaningful performance expectations**. Clear and concrete key performance expectations are focussed on outcomes.
- **Reporting performance accomplishments against expectations**. Key accomplishments are related to expectations and are attributed, in whole or in part, to the activities undertaken.
- **Demonstrating the capacity to learn and adapt**. The ability to learn from past performance and to adapt the program to external changes is demonstrated.
- **Reporting on the fairness and reliability of the performance information**. The performance information reported is fair and reliable.

department's internal management and accountability regime to its objectives, business lines, resource requirements and performance targets.

Managing for Results Still Not an Integral Part of Managing Departments

What we expected

20.36 In the three years since our 1997 study, the government has remained committed to a focus on results. In 1997, we suggested it could take the government four to five years to shift its focus from managing activities to using performance information routinely for better management of programs.

20.37 This time in our audit, we expected to find that the practice of managing for results had advanced, with its key elements evident in many areas of government. We looked for signs of senior support, performance expectations that were well articulated and understood, performance indicators, and systems for collecting and measuring data. We particularly expected to see performance being monitored in many government programs and the information being used to improve the management of operations and policy.

More attention to results

20.38 Overall, we saw tangible efforts in all the audited departments to foster a climate of results, including the strong commitment and support of senior management. Most of the departments

were engaged in significant efforts to plan how they would manage for results. All the programs we examined were developing or fine-tuning performance measures.

20.39 We reported in 1997 that managing for results was not widespread across government and had made limited progress. Now there is more attention to results. All government departments now set out their key results commitments, which are used as the basis for their planning, reporting and accountability structure. In the departments we examined however, the actual measurement and use of performance information has made limited progress.

Performance measurement and use of performance information has made limited progress since 1997.

20.40 Alignment for results is needed. As we have indicated earlier, a department needs its senior managers to understand and agree on its key results commitments and how it will structure itself to achieve them. During our audit, we have found that departments, to focus on results, often need to realign their management structures and processes according to the key results they are seeking and not to their programs or activities. This can be challenging.

20.41 The department needs to begin to consider how to structure itself in terms of its key results commitments. This may require changing the organizational structure or establishing business lines that span parts or all of the organization. Departments frequently manage by business line, each headed by an assistant deputy minister who is responsible for the key results commitments that contribute to the agreed department-wide strategic results framework.

A department needs its key players to agree on the intended results and how best to structure itself to achieve them.

Use of performance information is limited

20.42 Our audit looked at how performance information is used at the department-wide or corporate level. We found little use of performance information to improve management, or to shift priorities and reallocate resources across business lines. Business lines in the five departments we examined are quite large and involve sizable groupings of departmental activities and programs. Perhaps as a result, these business lines are often managed separately by the deputy minister and the responsible assistant deputy minister.

20.43 In two of the five departments (Agriculture and Agri-Food Canada and Correctional Service Canada), we found that corporate managers receive information regularly on a number of performance indicators. This has allowed the departments to track important trends in performance and to keep informed of key changes in their environment. For example, Agriculture and Agri-Food Canada uses a "dashboard" of performance indicators to identify emerging problems and to signal the possible need for more information or future decisions.

20.44 We also looked at how performance information is used by programs. We asked the five departments to identify the programs most likely to be managing for results and, in particular, most likely to be using performance information. It took some time before most of the departments could identify such programs, often with our help. It was clear that managing for results was not widespread in most of these departments' programs.

20.45 In October this year, we reported our assessment of financial management capabilities in selected departments. A common gap we found again was the limited ability to integrate financial and non-financial information. Most departments indicated that they had only begun the task of integrating financial and operational systems. In this audit, we also found a poor link between results and cost information. In our examination of 10 programs, we found that departmental

managers had only limited cost information available.

Planning for Results But Not Enough Implementation

Extensive planning to manage for results

20.46 Developing the tools to use in managing for results is an important step. We found considerable department-wide planning under way in the five departments we reviewed. Common planning activities included developing a performance and/or accountability framework, identifying and revising key indicators of performance to measure, and revising program business plans in light of the department's strategic results framework. The following are some planning activities we noted:

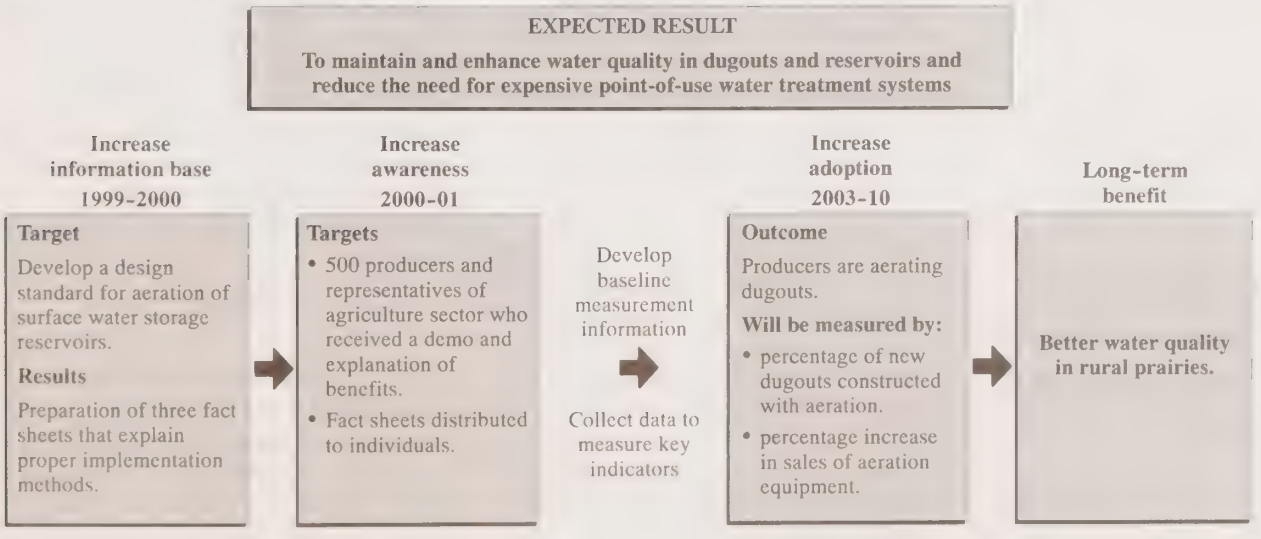
- At Agriculture and Agri-Food Canada, logic charts were being developed to demonstrate the linkages among a program's inputs or activities, its outputs, and its outcomes. Exhibit 20.5 illustrates a logic chart that the Prairie Farm Rehabilitation Administration developed for the Water Aeration of Surface Reservoirs project. The exhibit shows one of three results expected for this project and considered necessary to achieve the long-term benefit: better quality of water in the rural Prairies. The logic chart includes clear statements of intended outcomes; performance measures; and concrete, measurable targets with timeframes.

- In Environment Canada, numerous activities were under way to implement the Department's performance measurement strategy across the business lines. Planning activities in the Nature business line have included selecting performance indicators, defining data collection strategies, and building logic models for key intended results — including "conserving biological diversity", a result delivered primarily by the Department's Canadian Wildlife Service. The Department has stated that in the coming months the business lines will determine what data they need to support the logic models and indicators, and then will implement data collection strategies

Planning activities included developing performance frameworks, selecting performance measures, and revising program business plans.

Exhibit 20.5

Logic Chart for the Water Aeration of Surface Reservoirs Project



Source: Agriculture and Agri-Food Canada

in a phased approach over the next several years.

- Natural Resources Canada has continued to develop its performance measurement framework, and has focussed on developing indicators of performance. The performance measurement working group has consulted extensively with program managers and stakeholders to review draft performance indicators and seek guidance on refining them. Natural Resources Canada has developed criteria to assess and refine each indicator and establish targets, where appropriate. Many of the current performance indicators have targets that are "directional" (for example, "to maintain or improve Natural Resources Canada's contribution"). The Department has stated that after it evaluates the directional targets, it will be in a position to consider establishing numerical targets.

A need to move beyond planning

20.47 As already noted, we found some progress in measuring performance, but use of the information is still limited. However, we found that planning to manage for results is extensive, especially at the corporate level, and in many cases it has gone on for years. Departmental officials often told us they expect to use performance information more regularly across the department, "soon". Practical use of performance information and costing of results always seem to be promised for "next year".

Departments have been slow in moving beyond the planning stage.

20.48 Commitment to move beyond the planning stage needs to be demonstrated across the organization. Some departments seem to be searching for the "perfect" departmental structure to manage for results, and they continually change what they have set out. In other departments, a change of deputy minister or minister triggers a reconsideration of the strategic results framework they have been developing.

20.49 In 1997, we reported on the good beginning of managing for results in Environment Canada. It had a strategic results framework in place and appeared ready to implement it across the Department to manage for results. Yet three years later, it is essentially at the same corporate planning stage, with a different results framework in place. It is still trying to agree on performance measures, and for the most part measurement has not yet begun. Industry Canada has been developing its strategic results framework for two years, with numerous iterations. The Department agreed on performance measures only recently. Natural Resources Canada and Agriculture and Agri-Food Canada have also continued to revise their planning tools, including their results frameworks and performance measures. The reasons may differ but the result is the same: not moving quickly enough beyond the phase of designing departmental frameworks that are crucial to the next stage of managing for results.

20.50 The challenge for departmental managers is to move on — to implement the various planning tools, measure against the established indicators and use this information to improve the management of their programs. Managing for results means that managers may change what they do once they know what is working and what is not. This applies equally to developing and using performance measures. Sound measures are those that managers will use over a period of time. If measures provide data that prove to be poor or not useful, the measurement strategy needs to change.

20.51 Senior management of departments should move their organizations beyond merely planning to manage for results. They should get on with measuring performance and using the information to achieve the intended results.

Some Are Managing for Results

20.52 We did note some elements of managing for results in all the selected departments.

Performance information used in some business lines and programs

20.53 In the 10 programs we examined, we did find some use of information on results (see Exhibit 20.6). We found four programs that use performance information routinely to improve their operation and design: Agriculture and Agri-Food Canada's Net Income Stabilization Account; Prairie Farm Rehabilitation Administration; Correctional Service Canada's Reintegration of Offenders; and Natural Resources Canada's Aeronautical and Technical Services. In these programs, the commitment of senior and middle management is evident; indicators of performance are clearly linked to planned results; and the information is used in planning and in program design. Managers consider performance information to be reliable, and useful for decision making. For example, information on results has helped in identifying the need for new programs and redesigning existing programs.

20.54 The six other programs ranged from some use of performance information to none. They used information more to improve program operations and design than to revise performance expectations and reallocate budgets. Overall, the programs we reviewed used performance information less than we had expected.

20.55 A previous audit addressed managing government services for results. Our April 2000 Report, Chapter 1, Service Quality cited several services that were collecting performance information. With the exception of telephone services, however, few of the service lines

Exhibit 20.6

Use of Performance Information in 10 Programs

Programs	Performance Information	
	Improve operations and design	Update expectations and reallocate budgets
Agriculture and Agri-Food Canada		
• Prairie Farm Rehabilitation Administration	Routine	Some
• Net Income Stabilization Account	Routine	Some
Correctional Service Canada		
• Reintegration of Offenders	Routine	Some
• Aboriginal Reintegration	Some	Some
Environment Canada		
• Nature	Limited	None
• Canadian Wildlife Service	Some	Some
Industry Canada		
• Trade	Limited	None
• Connectedness	Some	None
Natural Resources Canada		
• Canada's Model Forest Program	Some	Limited
• Aeronautical and Technical Services	Routine	Some

examined were using performance information to improve service.

20.56 Our follow-up of the 1997 audit of Human Resources Development Canada's transition to managing for results has reported that the Department has continued to make progress (Auditor General's Report, December 2000). In the Employment Insurance program, the protection of public funds against fraud and abuse continues to be managed for results; and key performance information is analyzed more thoroughly, making it more useful to managers.

Other elements of managing for results are present

20.57 Although we found that information on results was being put to only limited practical use, other elements of managing for results were evident in the programs and business lines we examined. Those elements included:

- fostering an organizational climate that encourages managing for results;
- measuring performance; and
- developing a strategic framework that outlines key results commitments and planned performance expectations.

Senior commitment, leadership and appropriate incentives are key elements in moving forward with managing for results.

20.58 **Fostering an organizational climate for results is key.** Senior commitment and leadership are key elements, particularly in moving forward with managing for results, past the planning stage. Those elements need to be supplemented by appropriate incentives that support performance measurement and the use of performance information. More efforts are needed to remove impediments and overcome resistance.

20.59 In some of the programs we examined, we found some form of performance contract among the senior managers that encourages them to focus on results. Performance contracts identified the results expected over the coming years, and were tied to relevant business plans. Performance contracts are a good incentive to manage for results, to the extent that they specify results and not just activities.

20.60 We observed that the pay-at-risk initiative was used in a few departments to focus attention on results and performance reporting. This government-wide initiative was introduced in 1998 to allow managers to earn up to 10 to 20 percent of pay on the basis of performance, measured against targets agreed to at the beginning of the year.

20.61 We found a number of other tangible initiatives to foster a climate that supports managing for results. Some departments recognized their limited capacity and expertise in this area. Some of them addressed it by creating a performance measurement group; others recruited consultants; and some made good use of the experience in their evaluation unit.

20.62 We also observed the following examples of a supportive environment:

- The Commissioner and senior officials of Correctional Service Canada were committed to obtaining information on results and using the information to analyze the results. Evidence of that commitment is the regular monitoring of results, which has pointed to specific programming needs of offenders. For example, the Aboriginal reintegration program is being developed to meet the programming needs of the Aboriginal inmate population. There is strong buy-in from middle managers, who ensure that data systems are maintained; they use performance information in managing their programs. Finally, the Service uses the pay-at-risk initiative as a lever to ensure that managers focus on results, and it closely monitors their performance contracts.
- In Agriculture and Agri-Food Canada, strong commitment and leadership was evident at the levels of deputy minister and assistant deputy

ministers. The Department has dedicated resources, with additional Treasury Board funding, to develop a "dashboard" of performance indicators that were closely monitored by the Deputy Minister. In addition, a working group was established to launch the Department's performance measurement initiative. The Assistant Deputy Minister, Corporate Services Branch, provided guidance to the working group and has chaired an advisory committee on performance measurement. The committee members included the assistant deputy minister over each business line, senior managers, and several stakeholders.

- Industry Canada has designated assistant deputy ministers as champions of its "strategic objectives", which correspond to business lines. The Deputy Minister reinforced a strong message to managers that resource allocation among programs should be based on their ability to show results. Dedicated resources were given to the Corporate Planning and Performance Co-ordination Directorate to manage the process of preparing reports on plans and priorities and departmental performance reports. The Directorate represented all sectors of the Department. It also had a mandate to develop and implement a performance measurement strategy and support the corporate vision of results.

20.63 Some progress in measuring performance. Managing for results means measuring outputs and outcomes with a view to learning from experience. We found that at present, it is largely activities and outputs that are measured. Over time, we would expect to see an increase in the measuring of intermediate and end outcomes that are linked to the program activities. In time, we would expect departments to develop cost-effective measurement tools to cost activities, as a basis for allocating resources according to expected results. Finally, evaluation can help in this measurement task.

20.64 The five departments we audited set out a strategy for measuring results, either in the departmental report on plans and priorities or in a separate corporate planning document. We observed some level of performance measurement in the 10 programs we audited:

Performance measurement is still largely focussed on activities and outputs.

- Correctional Service Canada routinely measures its accomplishments and results, particularly in its Reintegration business line. The Service has a vast range of indicators and measures that senior managers use to manage this business line. Integrated data systems track performance at the individual level (for example, how each offender is progressing through his/her release plan), at the institution level (make-up of the offender population), and at the regional and national levels (rates of parole revocation and release rates).

- Managers of Industry Canada's strategic objective, "Connectedness", recognize that medium- and longer-term impacts should be measured. Recently developed performance information focusses on the socio-economic impacts of "connectedness" — people's ability to use information and communication technologies and to interact through them. Work continues with the Conference Board of Canada to further develop a "connectedness index", which is focussed on quantifying affordability, access, usage and socio-economic indicators. One of the next steps will be to refine a framework for examining the impacts and outcomes of connectedness.

Over time, we expect to see an increase in measuring intermediate and end outcomes that are linked to the program activities.

- Natural Resources Canada's Aeronautical and Technical Services has made significant strides in measuring performance in this largely production-oriented environment. Cost recovery of aeronautical services and products (navigation charts and publications) has meant extensive tracking of cost information and a strong client focus. The program has implemented principles of a quality management framework to assure product quality,

efficiencies, and responsiveness to clients. Service standards are set and tools to measure client satisfaction are used regularly.

Getting on with measuring the results they achieve is the most immediate challenge departments face.

20.65 Getting on with measuring the results they achieve is perhaps the most immediate challenge departments face. The next step beyond planning to manage for results is implementing a measurement strategy — actually measuring a wide range of outputs and outcomes, learning which measures are most useful by using the information, and adjusting measurement in the future.

Learning From Others' Experience

20.66 Initiatives in managing for results are common in other jurisdictions. Our 1997 study noted a number of results-oriented initiatives in several jurisdictions, both in Canada and elsewhere. We observed in 1997 that some of these jurisdictions had enacted accountability legislation; since then, more have done so.

20.67 In Alberta and British Columbia, legislation requires both government-wide and ministry preparation of multi-year business/performance plans to be presented to the legislature. It also requires annual reporting of progress made toward achieving the expected results set out in those plans. In Quebec, new legislation focussed on improved public service is highly supportive of managing for results. In order to enhance accountability, the use of multi-year strategic plans and performance agreements is now mandatory for all departments.

20.68 Chapter 19 of this Report, Reporting Performance to Parliament: Progress Too Slow, recommends that in light of the modest progress made in reporting performance to Parliament, it may be time for the government to consider introducing accountability legislation. As we observed in the audit discussed here, managing for results is still not an integral part of managing departments. There is a clear need to get beyond planning and secure further progress. Although legislation alone will not ensure good reporting or managing for results in departments, it could serve as a signal, as Chapter 19 suggests, that measuring and using performance information is not a passing fad.

20.69 Literature review identifies lessons learned. We conducted an extensive review of the literature to identify lessons learned and trends in other jurisdictions with experience in managing for results. Exhibit 20.7 presents a summary of these lessons, related to promoting favourable conditions for implementation; developing performance measurement systems; and using performance information. A full report can be found at www.oag-bvg.gc.ca.

20.70 We noted many consistencies between the findings of our literature review and findings from our examination work in departments on the lessons learned in implementing managing for results.

Need for Concerted Leadership by Treasury Board Secretariat

20.71 While the Treasury Board Secretariat has actively promoted improved reporting in a number of quite tangible ways (as discussed in Chapter 19), its efforts to encourage managing for results in the day-to-day operations of departments have been less evident.

20.72 A number of Treasury Board initiatives and publications relate to managing for results, including the Modernization of Comptrollership initiative, the President of the Treasury Board's annual report to Parliament on Managing for Results, and the Treasury Boards publication, *Results for Canadians: A Management Framework for the Government of Canada* (see

Appendix C for a description of these and other initiatives). While these provide some recognition of the need to manage for results, discussion in them of specific practices is quite limited. These initiatives originated in different parts of the Secretariat that give different levels of attention to managing for results. It is often not their prime focus.

20.73 Limited evidence that the Secretariat uses information on departmental results. In 1997, we suggested that a significant incentive for departments to manage for results would be clear evidence that the Treasury Board was indeed using performance information in its deliberations. Our interviews at the Treasury Board Secretariat suggested that while it occasionally uses departmental performance information, it does not use it systematically or routinely in its decision making. Yet this is stated as a "key responsibility" of the Secretariat as a management board: to "compile information sufficient to assess program performance and program integrity across government."

Exhibit 20.7

Lessons on Effectively Implementing Managing for Results

Promoting Favourable Conditions

Organizational Factors

- A regime customized to manage for results is critical.
- Take time and maintain momentum.
- Linking performance measures to the policy or strategic framework is key.
- Align management systems to support implementation.
- Providing adequate financial and human resources is critical.
- Identifying stewardship over performance measurement process is important.
- Pilot projects can be useful.

Human Factors

- Developing a performance management culture is critical.
- A practical understanding of accountability is needed.
- Senior-level leadership and involvement are essential.
- Full participation fosters support for implementation.
- Training and education are key ingredients of success.
- Use existing expertise to support implementation.
- Communicate the purpose of the performance measurement system

Developing Performance Measurement Systems

- Use a manageable number of indicators.
- Clearly define key terms and concepts.
- Using the logic chart can be very helpful.
- Align performance measures with decision-making authority and accountability.
- Credible performance information is essential.
- Performance standards and targets are essential for measurement.
- Use baseline data to set targets.

Using Performance Information

- Demonstrable use of performance information is essential.
- Evaluation and performance measurement are complimentary.
- Incentives can be used to foster support.
- Performance reporting is needed for decision-making.
- Review and adjust performance measurement systems.

Source: Office of the Auditor General, 2000, Implementing Results-Based Management: Lessons from the Literature.

20.74 Treasury Board Secretariat has not identified "results" expected in government's managing for results. The Secretariat has not set out the results planned for the government in managing for results — specifically, what is expected in departments and by when. In the absence of clear expectations, it may be difficult for the Treasury Board Secretariat to know the kind of support it should be providing and whether departments are making enough progress. The Secretariat has not had a clear plan to focus its activities in this area. Its publication *Results for Canadians* calls for a strong focus on results in managing the Government of Canada. Officials told us that the Secretariat will use this publication as a basis for action plans to meet the government's commitment to managing for results.

The Treasury Board Secretariat has a role to champion managing for results and to support departments in this effort.

20.75 The Treasury Board Secretariat's efforts are present, but diffused. To be effective, it needs to concentrate more on defining concrete expectations and practical strategies for managing for results. Otherwise, it is not clear how it will fulfil the role it recently set for itself as a management board to champion managing for results.

20.76 The Treasury Board Secretariat should develop concrete ways to champion managing for results in government and to support departments in this effort. It should actively assemble and communicate practices that have proved successful in dealing with the challenges that departments face.

Evaluation Is a Vital Element

Evaluation should be an integral part of program management and a department's strategy for managing for results.

20.77 Evaluation has an important role to play in managing for results. It can provide important information on program performance that is not gathered by ongoing monitoring systems, and can help managers understand why programs are working or are not. Evaluation can assist in the development of the results-based management and accountability frameworks the Treasury Board now requires, which help managers identify the information they need to collect in order to demonstrate results. We would therefore expect evaluation to be an integral part of program management and part of a department's strategy for managing for results.

Following up on our 1996 audit

20.78 In 1996 we reported on the state of evaluation in the federal government (1996 Report, Chapter 3). We made several recommendations to the Treasury Board Secretariat and to deputy heads. In the current audit, we followed up on those recommendations and looked at how evaluation is being used in managing for results.

20.79 Revisiting our 1996 recommendations. The wording of our 1996 recommendations reflected the circumstances at that time. Since then, there have been a number of changes in the government's expenditure management system and in the Secretariat's reporting to Parliament. We made three recommendations to the Treasury Board Secretariat, based on the following observations.

20.80 We had found that the bulk of evaluation activity was focussed on operational and lower-level issues and concerns, and that significant aspects of government activity were not being evaluated and reported. In our view, evaluation needs to play a strategic role in government as a whole in addition to its role in departments. The government needs the capacity to effectively evaluate interdepartmental and other horizontal issues. We recommended that some direction should be provided to the evaluation functions in departments on overall evaluation priorities so that the government is able to evaluate the important areas, including horizontal issues, of government programming and interest (paragraph 3.74).

20.81 Parliament has frequently expressed an interest in the evaluation capability of government and the Public Accounts Committee has asked to be kept informed about the state of evaluation. We recommended that the Secretariat should report to Parliament on the state of the government's evaluation capacity (paragraph 3.86).

20.82 It was hard to identify what was then called evaluation. The "review" function was diffusing effectiveness measurement, which was central to evaluation. We thought that if review were to be encouraged, it should have appropriate standards that would differ from those used for evaluation. We recommended that quality standards be set out for evaluation and any other related effectiveness measurement activity of government (paragraph 3.106).

20.83 In our view, our 1996 recommendations are still relevant.

Our assessment of progress

20.84 We believe that progress on these recommendations over the past four years has been unsatisfactory. (Appendix D lists the recommendations and summarizes our assessment of progress). Recently, the government has been putting new efforts into evaluation.

20.85 But the Treasury Board Secretariat has not yet set out government-wide priorities for evaluation, as we recommended in 1996.

20.86 Although the first report of the Treasury Board President to Parliament (1995) did include evaluation and review, the focus of that annual report has changed. Parliament has not been informed since 1996 about the relatively weak state of evaluation in government, despite its clear interest in the subject.

20.87 The Secretariat has draft policies proposed for both internal audit and evaluation. The current version makes no reference to review as a separate activity, which may simplify measurement. The draft evaluation policy contains quality standards that, if promulgated, would satisfy our recommendation for evaluation standards.

Evaluation function has regressed

20.88 A need to rebuild the evaluation function. A recent study by the Secretariat shows that over the past four or five years, the evaluation function in the federal government has regressed. During most of this period, the Secretariat's attention to evaluation was limited. Key study findings include the following:

- Evaluations are still seen by some as a check on management rather than as a tool for management, but this attitude could be changing.
- There is room to develop managers' capacity to carry out evaluations of their programs for the purpose of organizational learning and improved implementation.
- Evaluation frameworks (or results-based management and accountability frameworks), although mandated by policy, have not always been created or, if created, not always implemented.
- Program Review led to a serious undermining of evaluation capacity across the government.

There is a clear need for concerted effort to rebuild the evaluation function.

20.89 There are signs of progress in some areas. In line with our 1996 recommendations, the Treasury Board Secretariat is now identifying ways it can support the evaluation function. In its publication *Results for Canadians*, it made the following commitment:

> Working with departments and agencies, the [Secretariat] will develop and implement plans to better position and strengthen the program evaluation and audit functions within the broader effort to implement

There is a clear need for concerted effort to rebuild the evaluation function.

modern comptrollership and results-based management across government.

20.90 Further, Treasury Board Guidelines for the Preparation of Departmental Performance Reports discuss the important role evaluation can play in reporting. In addition, the recently revised Policy on Transfer Payments requires that departments and third parties prepare a results-based management and accountability framework and conduct evaluations of their programs and projects.

20.91 Evaluation in departmental business planning. Two recommendations in our 1996 audit were addressed to deputy ministers: that business plans include evaluation findings and identify priorities for evaluation, and that plans for evaluation be developed as part of the business planning process. While departments are no longer required to submit business plans to the Treasury Board Secretariat, they are still expected to undertake business planning. The five departments we examined have made satisfactory progress in this area.

20.92 We looked at evaluation planning practices in our five case departments. Their practices varied; each produces different types of planning documents containing different types of information. Key business planning documents are developed at the business line level. These documents often set out strategies for measuring performance, including planned evaluations.

20.93 A review of departmental evaluation plans in the five departments revealed that all of them group evaluation activities by business line or by departmental objective. Environment Canada's evaluation plan articulates clearly how evaluations support managers' efforts to achieve planned results and how they help senior managers meet the Department's strategic objectives. All departments said they are continuing to work on integrating departmental priorities in their evaluation plans, and increasingly they see evaluation as an important component of the department's strategy for meeting its objectives.

20.94 Some recent management interest. In two of the departments, we heard that evaluation has remained stable over the past few years. In the three other departments, evaluation is only now showing signs of revival after a few difficult years: more staff are being hired, and the departments are developing strategies to strengthen the professional capacities of their audit and evaluation personnel. Increasingly, program managers are contacting the evaluation unit for help in developing evaluation frameworks (results-based management and accountability frameworks), as required in Treasury Board approval documents. Heads of evaluation in the five departments noted that program managers are also showing more interest in tools that will help them demonstrate results and support them in decision making.

20.95 One of the Secretariat's conclusions in its study of the evaluation function is that there is a need to renew the mandate of evaluation in the new management regime. This is clearly a task for the Treasury Board Secretariat to undertake.

20.96 The Treasury Board Secretariat should strengthen the evaluation function to ensure that it plays a key role in the government's move to managing for results. The Secretariat should also ensure that the evaluation function has the capacity to address strategic issues, including horizontal issues, that are of concern to government as a whole and to Parliament.

Conclusion

20.97 We set out to identify the extent to which managing for results was being practised in the five selected departments

and 10 programs we examined. We found a few programs that use performance information routinely. We found that other elements of managing for results have shown some progress. They include initiatives to foster a supportive climate, extensive planning activities, and some measurement of performance. But a lot remains to be done before a strategy for managing for results is fully established in government.

20.98 Most departments need to move beyond planning to manage for results. They need to get on with measuring their progress toward at least some of their planned results, and using that information to improve performance. The persistent state of planning in most departments has meant that progress has been limited since we reported on this issue in 1997.

20.99 We appreciate the many challenges that departments encounter in their efforts to manage for results, and we recognize that this process takes time. In our audits and in our review of other jurisdictions that are managing for results, we identified many of these challenges — in particular, the challenge of fostering a climate in the organization that makes it the norm to systematically track a program's performance in order to learn what is working and what is not.

20.100 With sustained effort, departments can make strides toward managing for results. We found in some cases that a focus on results has filtered down to the day-to-day operations, despite impediments such as organizational change. Managing for results in these cases has become part of doing business.

20.101 As we reported in 1997, we found enough experience to draw from in Canada and elsewhere to establish a framework for managing for results. There is a particular need for departments in the federal government to:

- demonstrate senior management commitment and leadership;
- put in place levers to encourage a focus on results;
- agree on a planning, reporting and accountability framework, key results commitments and planned results;
- develop internal tools and capacity for measuring results;
- use information on results for decision making at all management levels; and
- report performance against stated expectations in a balanced manner.

We found some progress in managing for results but a lot remains to be done before managing for results is fully established in government.

20.102 The concept of managing for results is now accepted across government. However, there is little practical guidance on managing for results, and the sharing of experience is limited. Departments need more encouragement to move beyond merely planning to manage for results. Champions need to be identified. We found that the leadership and support provided by the Treasury Board Secretariat has been too dispersed to be of enough help to departments in managing for results.

20.103 Evaluation is not playing a large enough role in managing for results. Often, the only way to understand how programs are contributing to outcomes is through a systematic evaluation study. The federal evaluation function has been allowed to atrophy and to focus too often on operational issues rather than measuring how well departments are meeting their key results commitments.

Managing Horizontal Issues for Results: Finding Solutions to the Challenges

Introduction

20.104 In the first part of this chapter, we reported on the progress five departments have made toward managing for results, and the progress in 10 of their programs. We found growing attention to results and to particular elements of managing for results, including planning and performance measurement. We concluded that a lot remains to be done before the government is fully managing for results.

20.105 This part of the chapter looks at what the government is doing to support managing for results when several departments are involved in "horizontal" issues that cross departmental boundaries.

Growing Attention to the Management of Horizontal Issues

Issues that cut across departmental lines must be managed for results.

20.106 The commitments the federal government makes to Canadians are often targeted at broad issue areas. In recent Speeches from the Throne, for example, the government undertook to improve the well-being of rural Canadians, better integrate persons with disabilities into society, co-ordinate with other jurisdictions to address children's issues, and address broad environmental issues like climate change and ecosystems management. These are horizontal issues — they cut across departmental lines, and they reflect the government's broad vision for Canada.

20.107 When a policy issue spans departmental mandates, no one department has all the levers, resources and expertise to manage it adequately. Departments must work together toward an overall objective and adopt a common vision for success. They must effectively manage the resources dedicated to the horizontal issue and consider collectively how to fill gaps in service and eliminate duplication. They must be able to demonstrate accomplishments and learn from their present performance in order to make progress toward the expected results. And the issue may require them to work together with other levels of government, and with partners outside government. When they do all of this, they are managing the horizontal issue for results.

20.108 Alberta reports some horizontal results. Starting with the 1998 business planning cycle, the Government of Alberta Business Plan includes a section dedicated to key cross-government initiatives planned or under way in the three-year period covered by the Plan. In this way, Alberta recognizes that many of the pressures and challenges it faces need to be addressed corporately — they extend beyond the boundaries of single ministries. For the past two years, the Alberta Cabinet has singled out four cross-government or horizontal initiatives: two involving societal issues, and two in public administration. It has identified ministries to champion the initiatives, and given them the responsibility to manage and report on it.

20.109 Deputy Ministers' Task Force. The 1996 federal Deputy Ministers' Task Force looked at the need for interdepartmental collaboration in the management of horizontal issues, and the challenges this represents. Its report, *Managing Horizontal Policy Issues,* made practical recommendations for improving policy co-ordination within the federal government. It also addressed some of the procedural, structural and cultural implications of managing horizontal issues.

20.110 In particular, the Task Force pointed to the need for:

- an accountability framework to clarify the respective mandates and contributions of lead and partner departments;
- consultation with stakeholders on cross-cutting issues;
- realistic expectations for timing and outcomes, given the complexities of managing cross-cutting issues;
- adequate resources to allow the lead department to plan, co-ordinate and implement a horizontal initiative; and
- appropriate incentives and rewards for collaboration and teamwork.

20.111 In addition, the Task Force report discussed the importance of evaluation as a means of learning from experience in managing horizontal issues, and the importance of reporting and other forms of communication to share results and success factors across government.

Horizontal Issues Addressed in Our Previous Audits

20.112 The Office of the Auditor General and the Commissioner of the Environment and Sustainable Development have carried out a significant amount of work on the management of horizontal issues. Recent chapters that looked at various partnership arrangements recommended stronger frameworks for accountability and management, and more effort to monitor, evaluate and report results. (See Auditor General's 1999 Report, chapters 5, 6 and 23; and 2000 Report of the Commissioner of the Environment and Sustainable Development, chapters 2, 5, 6, 7 and 8.)

20.113 Particularly germane to this discussion is the Commissioner's 2000 Report, Chapter 6, Working Together in the Federal Government. In six case studies, the audit identified key factors affecting the success of sustainable development initiatives that span departmental boundaries. The Commissioner's key findings and success factors are shown in Exhibit 20.8. They are consistent with the literature on managing horizontal issues, with the work of the Deputy Ministers' Task Force, and with the findings of this study.

Focus of the study

20.114 The objective of our study was to identify the advantages of and impediments to using performance information and reporting in the management of horizontal issues. We selected case studies to explore how and to what extent horizontal issues are managed to achieve common results, based on the potential they offered for lessons learned. Most are long-standing horizontal issues, are clear government priorities, and have clear objectives.

20.115 The following are the cases we selected for study:

- Family Violence Initiative;
- Government of Canada Disability Agenda; and
- Canadian Rural Partnership.

Exhibit 20.8

Interdepartmental Co-operation – Key Findings and Success Factors

The Commissioner of the Environment and Sustainable Development found the following key problem areas:

- unclear objectives;
- poorly defined responsibilities;
- unclear accountability;
- weak dispute resolution mechanisms, or none; and
- lack of senior management involvement.

The following critical success factors were identified:

- managing the impacts of participant turnover;
- ensuring that departments have proper incentives to collaborate;
- paying sufficient attention to the results of monitoring and evaluation exercises; and
- impartial secretariat and strong involvement of a central agency.

Source: 2000 Report of the Commissioner of the Environment and Sustainable Development, Chapter 6: Working Together in the Federal Government

Appendix E provides background information on these cases.

20.116 We limited our study to collaboration among federal departments on clear government initiatives. We did not address the particular challenges of managing issues in collaboration with other jurisdictions. Other types of collaborative or delegated arrangements have already been the focus of audits in recent reports (in particular, the 1999 Report, chapters 5, 6 and 23). While several of the observations and findings in those chapters can be applied by federal departments in managing horizontal issues for results, here we will discuss in particular the challenge and complexity of co-ordination.

Observations and Recommendations

20.117 Based on our review of the relevant literature and our case study work, we developed a framework for managing horizontal issues (Appendix F). The framework focusses on co-ordination structures suited to achieving the government's objectives for an issue, and on elements critical to measuring and reporting results. The framework has five elements:

A framework for managing horizontal issues focusses on co-ordination structures and on measuring and reporting results.

- identifying an effective co-ordination structure;
- agreeing on common objectives, results and strategies;
- measuring results to track performance;
- using information to improve performance; and
- effectively reporting performance.

20.118 As the reader will observe, this framework is based on the managing for results framework presented in Exhibit 20.4 in the first part of this chapter.

Effective Co-ordinating Structures Are Needed

Many approaches to co-ordination

20.119 Horizontal issues can be co-ordinated in a number of different ways; how, and how closely, will depend on what the issue requires. For example, co-ordination can be informal, limited to simple communication and networking between managers in different departments. Efforts at co-ordination can also be more formal, if departments recognize a need to link their common objectives and work co-operatively.

20.120 Some circumstances do not warrant strong co-ordination. Many policies and programs require only communication among departments to ensure that their efforts are complementary. Close and structured co-ordination in those cases can overburden the participating departments and be counterproductive to the initiative.

20.121 Our three cases are examples of structured co-ordination, each to a different degree. In structured co-ordination, departments work more in concert toward shared objectives, have shared roles and responsibilities, agree on a decision-making process, and co-operate under a defined government strategy or in view of a long-term public policy objective.

20.122 Closer and more structured co-ordination is an advantage when, for example:

- the issue is a high priority of the government;
- the issue clearly spans the mandates of several departments;
- there is a potential for real gains by integrating policy development;
- strong champions or senior officials endorse the establishment of co-ordinating structures;

- the financial commitment is significant; or
- there is strong commitment and clear agreement among participants.

20.123 Identifying a lead department. If a department is designated to lead the management of a horizontal issue, it has the critical role of ensuring that the issue is managed in a way that will meet the partners' objectives and obligations; it ensures that partners are kept informed, that performance is monitored, and that partners live up to their commitments. It is important that the lead department be recognized as such by all participants and assigned the powers it needs to discharge its responsibilities.

20.124 Each of the horizontal initiatives we selected has a lead department. The rural issue was considered significant enough to warrant the creation in 1996 of the Rural Secretariat in Agriculture and Agri-Food Canada. As the lead, the Department has a mandate to ensure that departments and agencies work closely and effectively with politicians, government officials and rural citizens to address rural problems.

20.125 Dedicated units in Health Canada and Human Resources Development Canada have also been identified to co-ordinate, respectively, the Family Violence Initiative and the Federal Disability Agenda. In addition, the Federal Disability Agenda is supported by structures including a House of Commons Subcommittee on the Status of Persons with Disabilities, and a variety of management and working groups created to direct or implement the initiative.

20.126 The Family Violence Initiative, whose annual allocation of $7 million is shared by seven departments, is co-ordinated by a special unit of Health Canada and directed by an interdepartmental working group. It receives input from an evaluation working group and has accountability and reporting frameworks that define relationships among the partners. While it is well structured, we were informed that it receives little senior-level attention in the lead department.

The lead department has a critical role of ensuring that objectives and obligations are met.

20.127 Exhibit 20.9 shows the key elements of co-ordination, structure and accountability in each case. Appendix E provides background information on each of the three case studies, along with key features of their co-ordination structure.

20.128 Co-ordination takes time and effort. One of the issues raised consistently by all lead departments in our case studies was the time and effort it takes to co-ordinate effectively. For example, they must build consensus, persuade partner departments to adopt certain positions, ensure that decisions are carried out, communicate with stakeholder groups, and ensure that timelines are respected. Yet lead departments often have very little authority to back up their

Significant time and effort are needed to co-ordinate effectively.

Exhibit 20.9

Key Elements: Co-ordination, Structure and Accountability

Key Elements	Family Violence Initiative	Federal Disability Agenda	Canadian Rural Partnership
Co-ordination, management structures	Co-ordinated and integrated	Co-ordinated and integrated	Co-ordinated and integrated
Senior leadership	Minimal	Strong	Strong
Accountability frameworks	Formal	Informal	None
Reporting frameworks	Formal	Being developed	Being developed

responsibilities. While formal agreements endorsed by senior officials in partner departments are valuable, they are not enough.

Where there is senior leadership, horizontal issues are more focussed, better resourced and more effective at meeting commitments.

20.129 Lead departments particularly singled out the time and effort needed for reporting. The lead department must, for example, ensure that data from many different sources are collected and collated; obtain partners' agreement on reporting requirements; and engage partners in ongoing discussions about the focus, content, format, and readership of the report.

20.130 Officials involved in the Canadian Rural Partnership and the Family Violence Initiative acknowledge that their first reporting experience was a challenge. In both cases, it took much longer than expected to negotiate the content of what was simply a report of activities, not results. Experience with these initial reports suggests that later, reporting on results will be an even greater challenge for management.

Partners indicated that having dedicated resources for management and co-ordination is helpful.

20.131 Our review of the literature and our discussions with departments participating in horizontal initiatives indicate that having dedicated resources is a big help in managing and co-ordinating. The Canadian Rural Partnership and the Family Violence Initiative benefited from Treasury Board funding earmarked for co-ordination. By comparison, the recent federal Budget did not include funds to co-ordinate the Federal Disability Agenda, requiring the Department to reallocate funds internally in 2000–2001 to allow the Office for Disability Issues to carry out this responsibility. Without resources, it is difficult for a lead department to meet the full slate of commitments identified at the start of an initiative. However, dedicating resources to co-ordination does not guarantee success; indeed, it needs to be complemented by senior management commitment and clear engagement of all partner departments.

Senior Support and Effective Tools for Issue Management

Senior leadership is key

20.132 Our case studies clearly demonstrate that support from senior levels of departments and clear political support are decisive factors in the successful management of horizontal issues. Senior officials who have a role in championing an issue work to ensure that all necessary support is available, including financial support. Horizontal issues that benefit from senior leadership are more focussed, better resourced, and more effective at meeting the government's commitments. The absence of such support from leaders leaves participants drained of energy and losing interest in the issue.

20.133 Leadership is needed in both the lead department and other participating departments. It is particularly important in cases that have no signed agreement among partners or a formal framework that clearly outlines the responsibilities of all parties. Even where such formal documents do exist, champions can do much to ensure that participants contribute to the initiative as expected and are held accountable for results.

20.134 There are many ways to show senior leadership. For example, senior departmental officials who champion the Canadian Rural Partnership ensured that resources were available for co-ordination, engaged senior officials of partner departments in contributing information for the first annual report, and maintained open lines of communication with the co-ordination unit so that they could be kept informed of progress in the initiative.

20.135 Leadership in the Federal Disability Agenda can be seen in the establishment of the House of Commons Subcommittee on the Status of Persons with Disabilities. A June 1999 report of the Subcommittee, *Reflecting Interdependence: Disability, Parliament,*

Government and the Community, recommended that the government take real action to support persons with disabilities. It suggested, for example, that the government integrate a disability "lens" into all policy and program decisions, and that it report comprehensively on outcomes, results commitments and performance of federal activities in the area of disability. The Subcommittee's continued attention can keep the issue on the government's agenda for action.

20.136 Challenges in the absence of leadership. For some horizontal issues, the general absence of senior management leadership is difficult to overcome. Now in its third phase, the Family Violence Initiative has seen its funding from Treasury Board cut back significantly, with a corresponding decline of senior management attention to the initiative in many of the partner departments. The lead department has redirected funds for co-ordination obtained from the Treasury Board to other areas in the department, and has not provided the support needed for the initiative to keep up with its reporting schedule. The long history of ground-level co-operation and dedication of individual officers in the lead and the partner departments cannot make up for the absence of senior management leadership.

Formal frameworks are useful documents

20.137 Frameworks needed to set out common objectives. The more ambitious the objectives of the horizontal initiative, the greater is the need for clarity of partners' roles and responsibilities in managing, co-ordinating and reporting. Whether in a formal accountability framework document or a letter of agreement, all participants need to set out their understanding of the common objectives and state, in some detail, how and what they will contribute toward those objectives.

20.138 Such documents are particularly important when different partners give an issue different priority. In some cases, this occurs because some partner departments get Treasury Board funding for their part in horizontal programs and activities while others fund their part from their departmental budgets. The non-funded departments, for example, may resist having their internal activities subject to horizontal management. Moreover, non-funded departments do not have the formal obligations for reporting that are set out in Treasury Board funding agreements, and in a horizontal arrangement their reporting obligations are not clear.

When the objectives are ambitious, it is important to clarify the partners' roles and responsibilities.

20.139 Departments in our case studies noted the importance of having senior officials sign agreements so they are aware of the commitments their departments have made. While agreements among partners do not guarantee success, they are useful in clarifying accountabilities and expectations.

20.140 Among our case studies, only the Family Violence Initiative had developed formal accountability and reporting frameworks. During our study, partners in the Federal Disability Agenda and the Canadian Rural Partnership were developing detailed reporting frameworks but neither had a formal accountability framework. When an initiative requires more of departments than simple reporting of activities, or requires that partners alter programs to avoid duplication or to fill gaps, coming to an agreement on the roles and responsibilities of each will be important.

Finding effective levers and incentives

20.141 Levers and incentives are needed to support co-operation among partners and to overcome pressures on each to focus solely on its own vertical reporting and accounting requirements. A wider range of levers is available both to lead and to partner departments when there are

Levers and incentives are needed to support co-operation among partners.

formal structures and agreements. Departments can use communication, transparency, performance appraisals, rewarding teamwork and support for horizontal issues through, for example, promotion or recognition. By working in tandem with central agencies, departments can make more effective use of the visibility given to a horizontal issue, the resources allocated and various human resource management tools.

20.142 However, departmental officials we interviewed for our case studies noted the apparent lack of levers and incentives they could use to promote good management of horizontal issues. Central agencies have a role to play in developing and promoting such tools, if managing horizontal issues is a government priority.

Challenges in Reporting

20.143 Limited evidence of reporting or use of performance information. Canadians and parliamentarians want information on the overall accomplishments of these horizontal initiatives, collective information that reports on more than the individual activities of the departments involved in an initiative.

Reports need to focus on overall accomplishments of horizontal initiatives rather than individual activities of departments involved.

20.144 Our cases have not yet reported collective results. At the time of our study, two had produced reports, but both were reports on the activities of individual partner departments. Departments involved in horizontal initiatives note that developing and using common performance measures is a challenging task, and reporting on collective performance cannot be expected in the first years of an initiative. Reporting on results requires adequate planning, and departments involved in our case initiatives are working now to produce reports on results in the future.

20.145 Conflicting priorities. We found that to a large extent, the challenge in reporting on collective outcomes lies in the tensions between vertical accountability structures in departments and horizontal commitments and co-ordination. Current reporting tools and processes — like reports on plans and priorities, departmental performance reports, and internal reporting documents such as business or strategic plans — are designed to collect information on the performance of departmental programs and services. They are used to support the department's ability to demonstrate its accomplishments. If one partner department in an initiative produces information that is incompatible with what other partners produce, or if it would require significant resources to collect performance information as a special activity, then gathering the data and producing a report on collective results will likely be problematic.

20.146 Another difficulty is getting partners to agree on appropriate and measurable indicators of performance. In some cases, it requires that partner departments overcome their resistance to detailed management frameworks and outline specific indicators, measures, and responsibilities for data collection and the collation of performance data. Of our cases, only the Family Violence Initiative has developed a reporting framework that outlines roles and responsibilities in the collection of data for measures that all partners have agreed to. And yet it has not measured performance as planned and, at the time this study was conducted, it had submitted only one annual report to the Treasury Board Secretariat, for 1997–98.

20.147 A need to plan for reporting. In collective reporting, it is important to ensure that plans and expectations for reporting, and specifically the roles and responsibilities this entails, are commensurate with the powers and resources of the partners and the level of funding for the initiative. Reporting plans need to consider that some departments must collect information from parties outside the federal government: many horizontal initiatives involve societal

issues that fall under other jurisdictions or require the participation of parties outside the public sector.

20.148 Costs not known. In Chapter 19 of this Report, we noted that information on the cost of achieving results was generally not available in departments. In horizontal issues, the challenge of obtaining cost information is exacerbated by the number of departments involved and the different funding arrangements in place. A particular difficulty is knowing what part of the budget of non-funded programs contributes to the results expected in the horizontal initiative. For example, a prenatal nutrition program meets the needs of Canadians generally and, at the same time, those of segments of the population (such as rural Canadians and children). The costs of programs delivered to rural Canadians, particularly the costs that do not specifically target them, are hard to determine. Knowing (and managing) the costs of achieving horizontal results is difficult, but not impossible. Only in the Family Violence Initiative was there any information on the program dollars involved in the horizontal issue.

Lessons Must Be Learned and Shared

20.149 Insufficient use of lessons. Our cases suggest that more effort could be made to use lessons from previous generations of an initiative. While partners may refer to results of past evaluations of the initiative, this information is not used routinely. In one initiative we examined, the turnover rate and the state of the collective memory were such that a new participant was unaware for some time that the initiative had existed for several years.

20.150 Lead departments in the cases we examined are taking some positive steps to learn from each other's experience. For example, the Office for Disability Issues recently invited the lead department for the Canadian Rural Partnership to share its lessons learned in reporting on a horizontal issue. The need to learn from past experience and the experience of others is also clear in other horizontal initiatives, including federal government commitments to green its operations, elements of which were recently audited by the Commissioner of the Environment and Sustainable Development. That case is described in Exhibit 20.10.

Exhibit 20.10

Applying Lessons in Co-ordinating Greening Government Operations

Chapter 2 of the 2000 Report of the Commissioner of the Environment and Sustainable Development assessed departmental progress in implementing environmental performance measurement for government operations. The Commissioner reported that at the time the audit was conducted, there was fragmented leadership with no organization given the responsibility, or seeing itself as the lead, for establishing a consistent consolidated and coherent federal approach to reporting on the greening of government operations.

In its response, the Privy Council Office agreed with the recommendation that an action plan and an accountability framework be developed as a way to achieve more uniform reporting of progress. It indicated that steps would be taken to ensure that appropriate departments play a leadership role.

In early 2000, assistant deputy ministers in three departments agreed to act as co-champions to co-ordinate sustainable development in government operations, namely Natural Resources Canada, Environment Canada and Public Works and Government Services Canada. Since then, the co-champions have developed a strategy to facilitate a co-ordinated approach to the sustainability of federal operations. They are working at the interdepartmental level to implement the use of common performance measures and to identify opportunities and impediments to achieving progress in the greening of collective operations. They have recognized that developing a federal approach is a challenge that requires balancing competing priorities, measuring performance and reporting to provide a government-wide perspective, and maximizing interdepartmental co-ordination of efforts to achieve results.

Some challenges and solutions identified

20.151 Exhibit 20.11 summarizes some of the main challenges and solutions we identified in our review of the literature and in our case studies, organized according to the broad headings in our framework for managing horizontal issues (see Appendix F). While this is by no means a listing of all the challenges encountered by lead and partner departments, it does suggest what managing horizontal issues for results can entail.

A Stronger Role for Treasury Board Secretariat

The role of the Treasury Board Secretariat needs to be better defined

20.152 Horizontal issues are an important area that requires concerted, strategic attention by the Treasury Board Secretariat. The Secretariat has been

Exhibit 20.11

Managing Horizontal Issues for Results: Challenges and Suggested Solutions

1. **Identifying an effective co-ordination structure**
   - **Partners may start out with differing commitments and priorities.** Commitments, and shared understanding of roles and responsibilities, can be set out in an accountability framework.
   - **Co-ordination takes time.** Resource requirements, time and effort needed for co-ordination can be built into initiatives from the start to reflect the challenges or complexities involved.
   - **Using effective levers and incentives.** Levers can include visible support, funding, administrative instruments and human resource tools (such as recognition and mobility).
2. **Agreeing on common objectives, results and strategies**
   - **Shared objectives but departmental accountability.** A balance is needed in the context of decentralized accountabilities through a detailed management framework.
   - **Territorial protection versus co-operation.** A champion can motivate participating departments to focus on horizontal results rather than their own separate interests.
   - **Balancing objectives and resources.** Early discussions between the partners and with the Treasury Board Secretariat can ensure that objectives are commensurate with resources available or provided, and with the political reality.
3. **Measuring results to track performance**
   - **Challenges when partnering funded with non-funded departments.** It is helpful if commitments by all partners to measure and report on performance are clarified up front in a framework agreement, and supported by senior-level leadership.
   - **Vertical and horizontal information needs.** Early discussions between the partners and within participating departments can ensure that both vertical and horizontal reporting requirements are addressed.
   - **Attribution preoccupies participants in horizontal initiatives.** Evaluation subcommittees have a role to play in establishing results-based management and accountability frameworks, explaining how the contributions of various partners can be accounted for and developing approaches to measurement.
   - **Reporting requirements need to be reasonable.** Partner departments and the Treasury Board Secretariat can work together to ensure that reporting requirements are balanced with resources and objectives.
4. **Using information to improve performance**
   - **Data from too many sources are hard to collate.** It is sometimes best to start by measuring a small number of indicators focussed on high-level results, and build from there.
   - **Limited use of lessons, evaluations and monitoring.** Responsibilities for using performance information in planning and implementation must be clearly outlined.
5. **Effectively reporting performance**
   - **Negotiating the reporting framework takes time.** Agreement on reporting poses a challenge in a time-limited initiative. Central agencies can ensure that timeframes are considered and can help partners reach consensus.

proactive in identifying programs that could be managed horizontally. It has made presentations and developed draft guidelines on reporting and accountability frameworks for managing horizontal issues, and on its Web site it has shared information on collective and societal results and indicators. The Secretariat has also supported individual initiatives. Lead departments in horizontal initiatives have indicated that they value its contribution.

20.153 The Treasury Board Secretariat requires that submissions for funding of horizontal initiatives contain a commitment to performance reporting and evaluation. However, not all horizontal initiatives receive funding through the submission process. And, as already noted, not all departments receive funding for their part of the horizontal initiative. For those that do not, there are no central requirements to report collectively or to participate in collective evaluations. It is important for the Secretariat to ensure that horizontal issues are managed and co-ordinated adequately and resourced in a way that facilitates evaluation and full reporting when funded and non-funded departments are partners in a horizontal initiative.

20.154 We have observed that the role played by the Treasury Board Secretariat in the management of horizontal (interdepartmental) issues is piecemeal and differs from one initiative to the next, apparently independent of the characteristics of the initiative. The Treasury Board Secretariat does not have a strategic approach for dealing with the fact that a growing number of issues are addressed horizontally.

20.155 In view of the many challenges to horizontal initiatives that we have discussed in this chapter, we support the recommendations in the Deputy Ministers' Task Force report, *Managing Horizontal Policy Issues*, and in several reports of the Commissioner for the Environment and Sustainable Development. These include recommendations that central agencies:

- clarify expected outcomes and accountabilities of the partners involved, and
- provide advice on the co-ordination and management of horizontal issues.

20.156 We also agree with the Commissioner's recommendation that the Treasury Board Secretariat prepare a "best practices" guide for interdepartmental co-ordination, with input from those who have worked on horizontal issues.

20.157 Stronger central leadership is needed if the government wants to continue to promote horizontal issues as a priority and to focus increasingly on horizontal policy development, implementation and accountability.

20.158 The Treasury Board Secretariat should play a stronger leadership role to ensure that where appropriate, horizontal issues are managed for results. This includes ensuring that resources are available for the co-ordination and management of horizontal issues that are government priorities, and ensuring that external reporting takes place.

20.159 The Treasury Board Secretariat should play a stronger role in communicating good practices and lessons learned in managing horizontal issues for results.

Horizontal issues require concerted, strategic attention by the Treasury Board Secretariat.

Conclusion

20.160 Our case studies indicate that there are many challenges in managing horizontal issues for results. Partners in horizontal initiatives can co-ordinate sufficiently to identify collective objectives, to share information, to develop frameworks for accountability and to report on activities. However, it is more difficult for them to manage tasks that require them to compromise or realign their own programs. Managing for

Government is still at the start of its move toward reporting and using performance information in managing horizontal issues for results.

results is difficult without sufficient resources; funds and human resources are needed to co-ordinate the efforts of partners and to implement reporting frameworks that can show Canadians and parliamentarians what has been accomplished by a horizontal initiative.

20.161 Government is still at the start of its move toward reporting and using performance information in managing horizontal issues for results. The Treasury Board Secretariat in particular has a role to play in supporting the effective use of levers and incentives by departments involved in horizontal initiatives, and in creating the conditions that favour more effective management of horizontal issues.

Government's response: *While agreeing with the emphasis the government has placed on managing for results, the Auditor General concludes that the fundamental shift in perspective from process-oriented or results-oriented management has not yet occurred generally across the public service. The chapter highlights the need to strengthen measurement of results, in particular the evaluation function. In addition, the audit notes the particular challenges in managing horizontal issues and recommends a stronger role for the Treasury Board Secretariat in supporting departments in this regard.*

With the tabling of Results for Canadians: A Management Framework for the Government of Canada *in Parliament in March 2000, the government now has a framework to move forward in this area. As the government implements this framework, departments and agencies will need to improve their measurement of results and costs and use this information to deliver better results for Canadians. To ensure that these expected improvements take place, the Treasury Board Secretariat continues to monitor implementation and upgrade its plans to exercise appropriate leadership and support to departments and agencies in this endeavour. It also has made internal managerial changes to promote the effective implementation of this management framework.*

The government recognizes that managing horizontal issues, including those involving other jurisdictions, is a challenge for departments. The Treasury Board Secretariat will continue to actively track major collaborative initiatives and ensure that lessons-learned are shared. It is also examining how to exercise the best possible leadership and support in responding to these new challenges.



About the Audit

Objectives

The objectives were to:

- examine the extent to which selected departments were managing for results, including their use of information on performance to manage programs;
- identify lessons learned in implementing managing for results;
- assess the leadership the Treasury Board Secretariat has provided to support managing for results throughout government; and
- in selected cases, to identify the advantages of and impediments to the use of performance information and reporting in the management of horizontal issues.

Scope

We examined five large departments — Agriculture and Agri-Food Canada, Correctional Service Canada, Environment Canada, Industry Canada, and Natural Resources Canada. In each department, we asked senior officials and/or corporate staff to help identify areas where the use of performance information could be expected. We selected and then examined a total of 10 programs/business lines to determine to what extent performance information is actually used and to what extent other elements of managing for results are in place. We also asked the departments to identify the lessons they learned in implementing their regimes for managing for results.

In addition, we followed up on the findings and recommendations of our 1996 Report, Chapter 3, Federal Program Evaluation. We examined the same departments selected for examination in our current audit. We looked at how these departments are planning for evaluations and using the information they provide on performance to manage for results.

For our study discussed in the second part of this chapter, we used three cases to explore good practices in managing horizontal issues for results and reporting results. Our selection of the case studies was based on the potential they offered for lessons learned, given that they are long-standing horizontal initiatives, are clear government priorities, and have clear objectives.

Criteria

To assess use made in selected departments of information on performance to manage programs and reporting on them:

- *In selected departments*, we expected to see at the corporate (or department-wide) level appropriate use of information on performance to improve program operations and design, to update planned results and budgets, and to report program performance at the corporate level.

- *In selected programs/business lines*, we expected to see appropriate use of information on performance to improve program operations and design, and to update planned results. At a minimum, we expected to see elements of managing for results in the programs and business lines we examined. These elements include fostering an organizational climate that encourages managing for results; measuring performance; and planning a strategic framework that demonstrates agreement on areas of key results, performance measures, and performance expectations.

In assessing the leadership provided by the Treasury Board Secretariat to support managing for results throughout government, we expected to find that the Secretariat:

- provides appropriate and consistent direction, guidance and feedback to departments on their efforts at managing for results;
- gathers and disseminates best practices and lessons learned;
- uses departmental results and performance information; and
- encourages departments and agencies to institute managing for results in a reasonable time frame.

In examining the management of horizontal issues for results, we reviewed the applicability of the framework we had developed for managing for results and looked for lessons identified in our cases. As this component of our work was a study, we did not set out specific criteria against which the cases were assessed.

Approach

We interviewed senior managers in the five selected departments and in the Treasury Board Secretariat (TBS), visited several field operations, and gathered relevant documents. We reviewed the literature in other jurisdictions on managing for results.

In our examination of the leadership role played by the Treasury Board Secretariat, we interviewed TBS officials, examined relevant documents and interviewed departmental officials for their perceptions of the Secretariat's leadership.

In our study of managing for results in selected horizontal initiatives, we interviewed departmental participants, including officials in lead departments. We had discussions with officials of the Treasury Board Secretariat, collected relevant documentation, and reviewed literature on horizontal issue management.

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Appendix A

Background Descriptions of Programs Audited

Programs	Description	Planned Federal Funding 2000–01
Agriculture and Agri-Food Canada		
Prairie Farm Rehabilitation Administration	The Prairie Farm Rehabilitation Administration (PFRA) is a branch of Agriculture and Agri-Food Canada that operates exclusively in Western Canada. The PRFA was established in 1935 in response to widespread drought, farm abandonment, and land degradation. Its mandate is to work with Prairie people to build a viable agricultural industry and to support a sound rural economy, a healthy environment, and high quality of life. PFRA is responsible for initiatives directed at conserving and improving the management of soil, air, water, and biodiversity/habitat. In this capacity, a variety of PFRA activities directly correspond to the Department's objectives associated with resource care and rural growth.	$40.3 million 693 full-time-equivalent staff
Net Income Stabilization Account	As a fundamental part of Agriculture and Agri-Food Canada's farm safety net framework, the Net Income Stabilization Account (NISA) aims to help producers achieve long-term farm income stability. NISA is a voluntary program, co-ordinated between individual producers, the Government of Canada, and participating provinces to provide financial assistance for maintaining and strengthening Canada's agricultural industry. NISA allows individual producers to make annual deposits to their NISA accounts and receive matching contributions from the federal and provincial governments. In lower-income years, producers can make withdrawals from the funds they have accumulated.	$212,600 (federal contributions)
Correctional Service Canada		
Reintegration of Offenders	The Reintegration business line involves providing programs and services that promote the safe and effective reintegration of offenders. Its objective is to actively encourage and assist offenders in becoming law-abiding citizens. To achieve this, the Service has established a range of services and programs, both in institutions and community settings, including case management, education, substance abuse, living skills, family violence and employment, and providing offenders with culturally and gender-appropriate programming.	$452.6 million 4,487 full-time equivalents
Aboriginal Reintegration	Within the Reintegration business line, the Service has recently established an Aboriginal Reintegration Program in response to the expected result, "the significant increase in the safe, timely and successful reintegration of Aboriginal offenders." Activities include developing and implementing culturally appropriate programming, research, and data management for the Aboriginal offender population.	Not available
Environment Canada		
Nature	In the Nature business line, the Department acts to conserve biological diversity in healthy ecosystems, and discharges federal responsibilities for managing wildlife, fresh water, and wetland resources. It also develops the science and technology policies and practices used throughout the Department. Long-term results associated with this business line are conservation of biological diversity; understanding and reduction of human impacts on the health of ecosystems; and conservation and restoration of priority ecosystems.	$165.5 million 928 full-time equivalents

Programs	Description	Planned Federal Funding 2000-01
Environment Canada		
Canadian Wildlife Service	The Canadian Wildlife Service (CWS), part of Environment Canada's Nature business line, handles wildlife matters that are the responsibility of the federal government. These include protection and management of migratory birds, nationally significant habitat and endangered species, as well as work on other wildlife issues of national and international importance. In addition, CWS does research in many fields of wildlife biology. Research on the socioeconomic importance of wildlife, pioneered by CWS, is now done by another part of Environment Canada.	Not available
Industry Canada		
Trade	The Trade strategic objective supports Industry Canada's view that increasing Canada's share of global trade will contribute significantly to the creation of a dynamic economy, enhanced productivity, employment, income growth, and Canada's overall prosperity. The Trade objective sets out to contribute to the achievement of four desired results: maintain and improve secure market access; establish a more co-ordinated and cohesive approach to international trade development; increase export capability and preparedness; and enhance international market development.	Not available
Connectedness	Through the Connectedness strategic objective, Industry Canada aims to make Canada the most connected country in the world. Program activities contribute to four key results: having Canadians connected to each other and to the world in a way that is affordable and accessible; creation of a world-leading environment for electronic commerce; maximizing of Canadian digital content and applications on-line; and availability of key federal government information and services on-line.	Not available
Natural Resources Canada		
Canada's Model Forest Program	Canada's Model Forest Program was established by the Department's Canadian Forest Service, which is the primary funder of the program and a partner in each of the 11 model forests in Canada. The program is committed to accelerating sustainable development in the practice of forestry. Through the model forests, different interests join together as partners to develop innovative approaches to sustainable forest management by combining their views, knowledge and expertise.	$96 million for 1997 to 2002 (Phase 2)
Aeronautical and Technical Services	The Aeronautical and Technical Services (ATS) unit within the Department's Earth Sciences Sector contributes to the result commitment, "the safety and security of Canadians." ATS aims to be Canada's leading supplier of aeronautical charts, to excel at fulfilling the Government of Canada's cartographic imaging and printing needs, and to quickly produce the maps needed in national emergencies. Its specific objective is to supply aeronautical charts and publications to meet the needs of the aviation industry and help ensure the safety and efficiency of aviation in Canada.	$3.3 million

Appendix B

Follow-up on Our 1997 Cases

Cases	Key Findings in 1997	Follow-up Findings
The North American Waterfowl Management Plan (Environment Canada) An international (U.S./Canada/Mexico) waterfowl and wetlands conservation program, implemented through joint ventures involving national and provincial/state governments, non-governmental organizations and the private sector.	• Results measured to improve performance. • Organizational strengths focussed on use of internal and external levers.	• Clear and measurable targets are established for waterfowl population and habitat. • Performance expectations for habitat conserved and results achieved are reported annually. • Management structure promotes communication and ensures commitment from all partners. • Updates, informed by evaluation studies, continue to keep the Plan responsive and relevant.
Investigation and Control (Human Resources Development Canada) Prevents, detects, and deters fraud and abuse of the employment insurance program.	• Supporting incentives for organizational climate established. • Key performance indicator used for performance measurement and program adjustment.	• Performance agreements include performance expectations and are used in the assessment of managerial performance. • Consistent measurement and reporting against the key performance indicator – total savings – identified in 1997. • Resources allocated based on the results achieved.
Canada Centre for Mineral and Energy Technology (Natural Resources Canada) Conducts and sponsors research for the economical, safe, and environmentally responsible recovery and use of mineral, metal, and energy resources.	• Organizational focus on outcomes. • Supporting incentives for organizational climate established.	• Significant improvements in business planning; three-year business plans incorporate a results chain. • Leadership to manage for results pushed down to program management level. • Performance agreements set performance expectations and are directly linked to business plans.
Travellers Program (Canada Customs and Revenue Agency) Processes and controls the entry of persons and their baggage into Canada through legal ports of entry.	• Key indicators used to improve program results. • Supporting incentives for organizational climate established.	• Stints – a performance measurement (sampling) system – are still being used to measure program performance. • Performance information is used to make program adjustments such as reallocation of staff among ports. • Performance agreements for senior managers specify program delivery targets.

Appendix C

Initiatives Supporting Managing for Results

Government Initiative	Implications for Managing for Results
Modernization of Comptrollership pilot project	Modernization of Comptrollership aims to integrate into a coherent whole, recent government management practices and priorities for change. The initiative is intended to produce performance information linked with relevant financial information for sound resource management and effective decision making to achieve results. Performance information will reflect business planning, risk management, costing, budgeting, evaluations, accounting, and non-financial and financial performance reports.
Treasury Board President's annual report to Parliament on *Managing for Results*	A description of the President's annual report to Parliament on *Managing for Results* is provided in Chapter 19. Treasury Board has used this document to insist on the importance of a focus on results, and sets out actions the government plans to take to promote capacity in departments, managing for results in horizontal issues, and improved reporting.
Improved Reporting to Parliament Project	The government launched the first phase of its Improved Reporting to Parliament Project (IRPP) in 1995. The intent of the project was to provide Parliament with better information on the federal government's plans and performance with a focus on results. On a pilot basis, and with the agreement of Parliament, Part III of the Main Estimates was split into two documents: the fall *Departmental Performance Reports* and the spring *Reports on Plans and Priorities*. The government is moving into the second phase of IRPP to enhance the involvement of parliamentarians in the reporting of performance information to Parliament.
Financial Information Strategy	The Financial Information Strategy (FIS) seeks to fundamentally change the way in which the government manages its financial information. The vision for FIS is to enhance the government's decision making and improve organizational performance through the strategic use of financial information. The Strategy was approved by Treasury Board in 1995, and is expected to be fully implemented by 1 April 2001.
Results for Canadians (March 2000)	The document sets out a framework for government management and an agenda for change that focusses on the achievement of results. Commitments are made to manage for results: all departments must be focussed on the achievement of results, and on reporting them in simple and understandable ways. The government will continue its movement toward a results-based approach that can distinguish program strengths and weaknesses, and provide guidance on what does and does not work.
Practical Guidelines to Preparing Treasury Board Submissions (May 2000)	This document provides practical advice on what to include in Treasury Board submissions. In support of managing for results, submissions are expected to outline outcomes, state how the initiative will be monitored and evaluated, include an performance and accountability framework, or a commitment to developing one at a later date. The framework reflects a full managing for results cycle, including performance measurement, reporting, and evaluation.

Appendix D

Status of Our 1996 Recommendations on Federal Evaluation

Recommendations	Comments
Treasury Board Secretariat should:	
Ensure that there is a clear statement of specific government evaluation priorities. It should monitor departmental business plans for gaps and omissions with respect to government priorities, and should take steps to deal with gaps and omissions (paragraph 3.74).	**Unsatisfactory progress.** The Secretariat has not stated the government's priorities for evaluation. It sets out evaluation requirements in selected areas.
Ensure that its report to Parliament credibly represents the performance of review and includes specific measures on [the state of] evaluation. The report should include the government's evaluation priorities and progress in addressing them (3.86).	**Recommendation rejected.** The President's annual report to Parliament does not report on the state of evaluation. It has evolved to a broader scope, focussing on reporting and managing for results.
Make clear the quality standards to be applied for different types of effectiveness measurement and analysis (3.106).	**Unsatisfactory progress.** The Secretariat has not set out quality standards for evaluation and review. A proposed new Treasury Board evaluation policy does set out standards, and clarifies evaluation and review.
Deputy heads should:	
Ensure that departmental business plans include evaluation findings and identify priorities for evaluation (3.64).	**Satisfactory progress*.** Departmental business plans are no longer required by the Secretariat, but planning exercises occur for business lines. Planning documents often include performance measurement strategies and reflect evaluation plans.
Ensure that plans for evaluation are developed as part of their business planning (3.96).	**Satisfactory progress*.** Plans for evaluation are organized by business line. Departments are working to further integrate departmental priorities in their evaluation plans.

Key:
Fully addressed – The original audit finding has been fully addressed and no further action is needed. Our Office will not follow up further.
Satisfactory progress – Reasonable progress has been made in addressing the original finding, but some additional action is required. Our Office will do further follow-up work.
Unsatisfactory progress – Reasonable progress has not been made in addressing the original finding and considerable further action is required. Our Office will do further follow-up work.

* Based on an examination of the five departments.

Source: Report of the Auditor General of Canada, Chapter 3, Evaluation in the Federal Government, 1996

Appendix E

Horizontal Issues – Three Case Studies

Features	Family Violence Initiative	Federal Disability Agenda	Canadian Rural Partnership
Lead department	Health Canada	Human Resources Development Canada	Agriculture and Agri-Food Canada
Start and end dates	1997-98 to 2001-02 The initiative is now in its third phase.	1999-2000 (no end date) This is the second formal initiative, following the National Strategy for the Integration of Persons with Disabilities.	1998-99 to 2002-03 A Secretary of State (Rural Development) was appointed in 1999.
Number of participants	12	23	29
Federal contribution	$35 million over five years for seven departments. Five other departments address family violence issues through their existing programs and activities.	Some elements of the Federal Disability Agenda receive support: $ 75 million a year Opportunities Fund and tax assistance (HRDC) $11.5 million over three years for the Health and Activity Limitation Survey (Statistics Canada). Other departments and agencies address disability issues through their existing programs and activities.	$20 million over four years for the Canadian Rural Partnership, which includes co-ordination activities and a grants and contributions program. Other departments and agencies address rural issues through their existing programs and activities.
Co-ordination mechanism	Family Violence Prevention Unit	Office for Disability Issues	Rural Secretariat
Agreements and framework documents	Accountability framework Reporting framework (both are Treasury Board requirements) Three-Year Strategic Plan	Accountability framework (informal). Reporting framework (being developed).	Interdepartmental strategic action plan (being developed). Interdepartmental performance measurement framework (being developed).
Structures used for co-ordination	Interdepartmental Working Group Evaluation Working Group	House of Commons Subcommittee on the Status of Persons with Disabilities. Assistant Deputy Ministers' steering committee. Interdepartmental working group. Various working groups (evaluation, Aboriginal issues).	Interdepartmental working group. Rural teams in all provinces and territories.

Appendix F

Framework for Managing Horizontal Issues

Effectively managing a horizontal issue involving a number of departments to achieve specific results requires the following:

1. **Identifying an effective co-ordination structure**

   Effective co-ordination is essential to managing horizontal issues and requires:

   - **Establishing roles and responsibilities.** Agree on the roles and responsibilities of departments involved and who will take the lead.
   - **Developing an appropriate level of co-ordination.** Define in a framework document the management and governance structure, and put in place the co-ordination structure as appropriate
   - **Promoting co-ordination through levers and incentives.** Structures and frameworks are not enough. A range of levers and incentives should be available, including visible political support, funding, and human resource tools.

2. **Agreeing on common objectives, results and strategies**

   Reasonable agreement is needed among the participants on the overall objectives, what more specifically will be accomplished over what time frame, and what and how departments will contribute. This involves:

   - **Defining common objectives.** Determine the objectives that will guide departmental actions and provide a basis for a common vision of success.
   - **Agreeing on performance expectations for the initiative.** Agree on specific results and a set of performance expectations for the horizontal issue that are realistic and challenging, taking into consideration the priority of the issue area and the co-ordination structure in place.
   - **Defining performance indicators for the initiative.** Agree on a manageable set of qualitative or quantitative performance indicators. These indicators should be relevant for each department as well as for collective action.
   - **Agreeing on how departments will contribute.** Articulate strategies and performance expectations for departments that are commensurate with the resources available and with political/jurisdictional reality.

3. **Measuring results to track performance**

   Managing the horizontal issue for results requires:

   - **Measuring performance.** Practices exist for departments involved to collect, assess and report on performance and costs, using the indicators identified and agreed on.
   - **Evaluating programs.** Practices exist for evaluating the relevant components of the horizontal initiative in the different organizations.
   - **Reviewing and updating indicators and measures.** Based on experience gained, changing circumstances, and experience gained in other horizontal issues, make periodic changes and improvements to indicators, expectations and measurement approaches.

4. **Using information to improve performance**

   Realizing the benefits of managing for results requires:

   - **Using performance information.** The performance information gathered and assessed is used to improve management of, and performance in, the horizontal issue, such as adjusting the co-ordination mechanism or the activities undertaken.
   - **Identifying good practices.** Based on what works and what does not, identify and use lessons and good practices to improve performance.

5. **Effectively reporting performance**

   Reporting among the departments involved and to other stakeholders requires:

   - **Defining a reporting regime.** Define a reporting regime and a communication strategy that reflect the level of priority given to the horizontal issue, and its size, including the resources it has available. The regime and strategy should also meet departmental, horizontal and stakeholder information needs.
   - **Describing the context and strategies used.** State clearly in reporting documents the rationale and objectives of the collective effort, its major strategies, and its related external context.

- **Stating meaningful performance expectations.** Clear and concrete key performance expectations focussed on outcomes.
- **Reporting performance accomplishments against expectations.** Key accomplishments are related to expectations and attributable to individual or collective efforts.
- **Demonstrating the capacity to learn and adapt.** The report demonstrates the ability of the collective effort to learn from past performance and adapt to external changes.
- **Reporting on the fairness and reliability of the performance information.** Report performance information that is fair and reliable.

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Chapter 21
Post-Secondary Recruitment Program of the Federal Public Service

December 2000

Report of the Auditor General of Canada to the House of Commons

Chapter 21
Post-Secondary Recruitment Program of the Federal Public Service



December 2000

This December 2000 Report comprises 18 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 2000 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 21

Post-Secondary Recruitment Program of the Federal Public Service

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Post-Secondary Recruitment Program of the Federal Public Service

Main Points

21.1 Our review of the Post-Secondary Recruitment program in the federal public service found that the Public Service Commission of Canada is recruiting qualified candidates. But there are too few of them given the significant number of public service executives, professionals and managers who will be eligible to retire in the near future. The government has to immediately address the recruitment issue so that it can continue to deliver programs and provide services of quality to Canadians.

21.2 We found weaknesses in the program's efficiency and effectiveness in the following areas:

- Forecasting of recruitment needs is not clearly spelled out. Without a clear idea of the number and type of employees needed, it is difficult to establish clear recruitment levels and develop appropriate recruitment strategies.
- The recruitment levels under the program have not been met consistently.
- In light of the increased competition for university graduates, the Commission needs to be a more aggressive recruiter of graduates. There has to be better promotion of the public service as a career choice, increased visibility on campus and improvement in scheduling and timeliness of recruitment.
- Very few departments participate in the program, which limits its capacity to renew the public service.
- The Commission does not establish and manage inventories of qualified candidates for departments.
- The program and its activities have not been evaluated consistently and systematically to improve their effectiveness and efficiency. As a result, it makes it difficult for the government to take appropriate corrective action on recruitment.
- Reporting of results is not adequate.

21.3 We are concerned about the government's ability to address the recruitment challenge.

Background and other observations

21.4 The public service has become significantly older. Seventy percent of executives could retire by 2008, and the feeder groups, the people who could eventually replace them, have a similar retirement profile. Public servants under 35 years of age are underrepresented.

21.5 For existing senior executives, it took an average of 10 years for them to move from a professional entry level to an executive level. Recruitment has, therefore, become imperative to ensure a well-functioning public service in the future.

21.6 The public service has changed and requires a higher proportion of knowledge workers than in the past. Today, these workers constitute 55 percent of public servants.

21.7 Recruitment has been an issue in the public service for at least 10 years. Many reports, and more recently the 1999 Speech from the Throne, have reported the need to recruit for the public service because of demographics and other factors, such as increased competition for qualified candidates.

21.8 It is recognized that an effective and non-partisan public service is essential to the strong functioning of a democratic country. To remain a vibrant institution, the public service must be able to recruit and retain well-qualified employees.

21.9 The government recognizes that recruitment in the public service is a priority. In his March 2000 annual report, the Clerk of the Privy Council stated the following: "We need to start recruiting people now so that we have the time to groom and nurture skills and so new recruits will have time to benefit from the depth of experience and knowledge of public servants across the country."

21.10 We are concerned about the government's ability to address the urgent challenge of recruitment for the years ahead.

The responses of the Treasury Board Secretariat, on behalf of the government and the departments audited, and of the Public Service Commission are included at the end of this chapter. The responses recognize the importance of recruitment and indicate plans to address the issues identified.

Introduction

Entering the federal public service

21.11 Staffing in the federal public service, which includes initial appointments as well as promotions, is administered by the Public Service Commission of Canada under the *Public Service Employment Act*. The Act covers 20 departments and some 60 agencies, which form the core public service.

21.12 To hire new people in the public service, departments and agencies must have vacant positions and have allocated funds for these positions. Initial hiring into the public service can be done in a variety of ways. The majority of external hiring is done through individual competitions to fill vacant positions, as required. This practice is known as "general recruitment" (see Exhibit 21.1). It is not a structured program but a series of specific departmental staffing actions.

21.13 The Post-Secondary Recruitment program is a structured program. It is the government's main recruitment vehicle for a wide variety of entry-level positions in the Administrative and Foreign Service, and Scientific and Professional categories. (See the list of occupational groups in these categories in Appendix A.)

21.14 The public service has traditionally hired at the entry level and promoted from within. Indeed, section 11 of the Act states that "appointments shall be made from within the Public Service except where, in the opinion of the

The Post-Secondary Recruitment program is a structured program. It is the government's main recruitment vehicle for a wide variety of entry-level positions.

Exhibit 21.1

Recruitment in the Federal Public Service

General recruitment	Components of the Post-Secondary Recruitment program		
Individual competitions for vacant positions in departments and agencies for all categories, occupational groups and levels	• Specific entry-level positions for departments and agencies	• Entry-level positions for departmental development programs: ▪ Foreign Service Officer Development program for the Department of Foreign Affairs and International Trade ▪ Economics Recruitment and Development program for Statistics Canada	• Entry-level positions for corporate development programs: ▪ Management Trainee Program (MTP), managed by the Public Service Commission ▪ Accelerated Economist Trainee Program (AETP), managed by the Commission ▪ Financial Officer Recruitment and Development program (FORD), managed by the Treasury Board Secretariat
Candidates can apply during the posting period, which varies between 10 and 15 working days. Positions are posted through the Public Service Commission's Web site.	Students can apply during the campaigns of Post-Secondary Recruitment program. The fall campaign usually runs for four weeks in September and October. The winter campaign usually runs for four weeks in January. The application period for some corporate development programs may run a little longer.		

Source: Public Service Commission of Canada

Commission, it is not in the best interests of the Public Service to do so."

21.15 The positions in the Scientific and Professional category require a university degree, as do almost half of those in the Administrative and Foreign Service category. Managers and executives are usually selected from all these categories, which, including the Executive Group, comprise what are often referred to as "knowledge workers."

21.16 Because the nature of the public service's work has shifted, these categories make up an increasingly larger proportion of the public service's work force. Today, they represent about 55 percent of the work force, up from about one third in the mid-1980s. Therefore, replenishing these categories is critical to a well-functioning public service.

21.17 The Public Service Commission manages the Post-Secondary Recruitment program, which has three components: recruitment for specific jobs in departments and agencies, recruitment for departmental development programs, and recruitment for three corporate development programs (see Exhibit 21.1). The specific jobs in departments include economists and policy analysts, nurses, commerce officers, and information technology specialists. Departmental development programs include the Foreign Service Development Program at the Department of Foreign Affairs and International Trade, and the Economists Recruitment and Development program at Statistics Canada. The corporate development programs comprise the Management Trainee Program (MTP), the Accelerated Economist Training Program (AETP) and the Financial Officer Recruitment and Development (FORD) program. They are designed to move candidates through to middle management or professional levels quickly.

An aging public service work force

21.18 The public service has become significantly older over the past eight years. This characteristic is particularly more pronounced in the Executive, Administrative and Foreign Service, and Scientific and Professional categories, where some 45 percent of the work force is aged over 45. In contrast, only 18 percent of public servants in these categories are under 35. Part of the reason for these figures is that during Program Review, many experienced employees as well as younger ones left under a departure incentive program, and hiring was extremely limited.

21.19 The Treasury Board Secretariat expects the annual separation rates of the Executive category to increase from six percent in 1999-2000 to almost 10 percent after 2002-03. In April 2000 we reported that 70 percent of executives could retire without any penalty by 2008. To be eligible for retirement without a penalty, an employee must be aged 55 and have 30 years of pensionable service, or be aged 60 with a minimum of two years of pensionable service.

21.20 Data show that the "feeder groups" (the traditional pool of candidates for executive positions) are also older than the average age of the public service. As well, this pool will see higher departure rates in the next decade, which will increase the difficulty of replacing many executives (see Exhibit 21.2). Data from the Treasury Board Secretariat's information system indicates the following:

- in the primary feeder group, which accounts for half of promotions to the Executive category, 48 percent of employees will be eligible to retire by 2008; and

- in the secondary feeder group, which accounts for almost one quarter of executive appointments, 53 percent of

employees will be eligible to retire by 2008.

21.21 Our Office and other organizations continue to express concerns about the need to recruit knowledge workers and to improve recruitment practices. For instance, in 1998 we reported on the impact of staff shortages on the management of the International Tax Directorate. In 1999 we noted the need for more flexible recruitment practices for the science and technology community. This year we continue to examine ongoing staff shortages and their overall impact on service quality and program delivery in financial management (see our October 2000 Report, Chapter 13) and health and safety (see our December 2000 Report, Chapter 24).

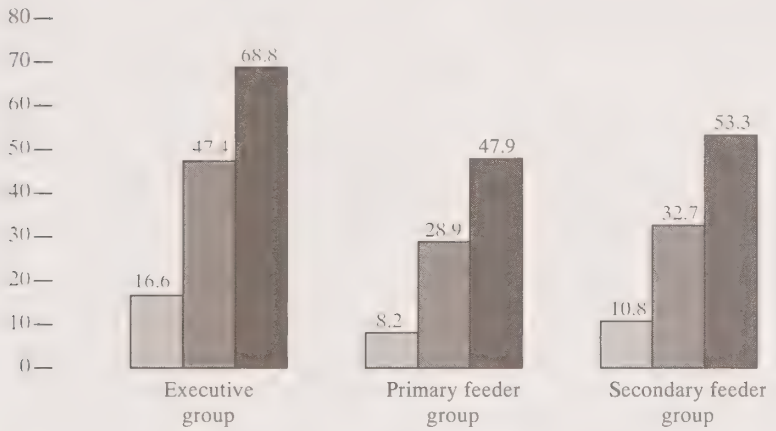
Focus of the audit

21.22 The purpose of our audit was to determine the extent to which the Post-Secondary Recruitment program would help the government renew its aging professional and management work force and to assess the effectiveness and efficiency of the program.

Exhibit 21.2

Retirement Eligibility of Executive, Primary and Secondary Feeder Groups

(percentage)



The primary and secondary feeder groups comprise senior classification levels in the Scientific and Professional, and Administrative and Foreign Service occupational categories (see table below).

Primary feeder group	Secondary feeder group
Scientific and Professional • Economics, Sociology and Statistics (ES 06, ES-07)	Scientific and Professional • Auditing (AU-05) • Engineering and Land Survey (ENENG-05, ENENG-06) • Physical Sciences (PC-04, PC-05) • Scientific Research (SEREM-02)
Administrative and Foreign Service • Administrative Services (AS-06, AS-07) • Foreign Service (FS-02) • Program Administration (PM-05, PM-06)	Administrative and Foreign Service • Commerce (CO-03, CO-04) • Computer Systems Administration (CS-04, CS-05) • Financial Administration (FI-03, FI-04) • Information Services (IS-06) • Personnel Administration (PE-05, PE-06) • Purchasing and Supply (PG-06)

Source: Treasury Board Incumbent File (excluding the Canada Customs Revenue Agency) – *Not audited*

We continue to find a clear lack of co-ordination and direction in dealing with the government's recruitment priority.

21.23 We looked at the program as the government's main structured program for recruiting university graduates in the Administrative and Foreign Service and Scientific and Professional categories. We examined how the Public Service Commission and the Treasury Board Secretariat manage recruitment from a central perspective. We also examined how the Department of Foreign Affairs and International Trade, Fisheries and Oceans, and Statistics Canada identified their human resource requirements and made use of the Post-Secondary Recruitment program.

21.24 We selected these departments based on the Public Service Commission's information, which ranked them as key users of the program in 1998-99.

21.25 We reviewed three main phases of the recruitment process: planning, the management of recruitment activities, and the assessment and reporting of results.

21.26 During our audit we interviewed senior human resource managers from various private and para-public organizations to learn about their recruitment practices. We also spoke to university placement officers to discuss their views on the Post-Secondary Recruitment program.

21.27 We present more details in **About the Audit** at the end of this chapter.

Observations and Recommendations

Lack of Corporate Direction Hampers Recruitment Planning

21.28 The 1998 Committee of Senior Officials' (COSO) subcommittee report on the human resource community called for a more strategic approach to human resources management. In 1998, La Relève noted the need for a human resource strategy for the public service to retain more employees and focus recruitment in areas of skill shortages.

21.29 We continue to find a clear lack of co-ordination and direction in dealing with the government's recruitment priority partly because of unclear roles and responsibilities.

21.30 Under the *Financial Administration Act*, the Treasury Board determines the size of the public service and ensures that human resources are allocated and used effectively. It aims to perform a strategic and results-oriented management role as the government's management board.

21.31 The Public Service Commission's mandate is to ensure that Canada has a highly competent, non-partisan public service that is representative of the population it serves. Over the years, the Commission has delegated much of its staffing responsibilities to departments and adopted an advisory and oversight role. However, the Commission has retained authority for initial appointments to the public service and responds to requests from departments for recruitment from outside the public service.

21.32 Departments are responsible for determining the resources they need for program delivery and obtaining funds and guidance from the Treasury Board Secretariat to address resource shortages. They must work with the Commission to recruit new staff.

21.33 We expected the Secretariat and the Commission, which have shared responsibilities for human resource management, to take lead roles on recruitment.

21.34 The Clerk of the Privy Council, as Head of the Public Service, established three priorities for human resource management in his Seventh Annual Report to the Prime Minister in March 2000: recruitment, workplace well-being, and learning and development. He established three subcommittees of

COSO to work on these priorities. In the spring of 2000 the Clerk asked all deputy ministers about their plans in these three critical areas for the short, medium, and long term, and what corporate support or help they needed.

21.35 The Clerk chaired the subcommittee on recruitment, which indicates the priority he placed on this area. The July 2000 subcommittee report outlined expected behaviours for all managers, highlighted some best practices for other departments to consider, and attached a general plan for central agencies. (Appendix B contains highlights of the report, which deals with the broad issue of recruitment, not just the Post-Secondary Recruitment program.)

21.36 In response to the Clerk about the three human resource priorities, most deputy ministers stated that they would be facing a significant recruitment challenge over the next five years. While they also expressed a general need for support from central agencies, we did not see any specific plans or requests for direction or additional resources. Some managers we interviewed mentioned that their department needed funding for interim positions and for training of new employees, yet this need does not seem to have been translated into specific planning demands.

21.37 We asked the Treasury Board Secretariat if it had summarized the deputy ministers' responses to the Clerk and assessed whether their plans were sufficient to meet the overall need for recruitment. The Secretariat had not done so because it was waiting for departments to submit individual business cases to address recruitment issues. It expects them to review the uses of resources, including the use of employees hired for a specific period and contractors before seeking additional resources for recruitment. The Secretariat needs to be more active in providing clearer direction to departments on dealing with the recruitment priority and challenging their plans accordingly.

21.38 Our review of the Secretariat's documents indicates that operational planning and forecasting capacity varied significantly from one organization to the next. According to the Treasury Board's recent estimates and projections, there is a need to increase recruitment levels substantially. However, these analyses do not break down the needed results by occupational groups. We did not find any evidence that the Board shared this information with the Commission (responsible for overall recruitment) or with departments (responsible for identifying their needs) to support the development of an overall recruitment strategy.

21.39 The Public Service Commission could play a more proactive role in managing its Post-Secondary Recruitment program, given the recruitment priority, and in taking action where departmental responses seem to be inadequate to meet the recruitment challenge.

21.40 In our view, the current situation indicates that a government recruitment strategy is needed to provide direction for departments and the Commission on how best to manage the recruitment priority. We believe that if central agencies keep waiting for departments to act and departments keep waiting for direction and support from the central agencies to act, the recruitment priority will not be managed in a strategic and proactive manner.

21.41 In our April 2000 Report, Chapter 9, Streamlining the Human Resource Management Regime: A Study of Changing Roles and Responsibilities, we stated that unresolved structural and systemic issues were partly the root of these problems.

21.42 No one is clearly the driving force behind recruitment, and the government has not developed its strategic direction and goals for recruitment. For

Deputy ministers stated that they would be facing a significant recruitment challenge over the next five years.

these reasons, we are concerned about the government's ability to address the recruitment priority.

Planning Under the Post-Secondary Recruitment Program Is Ad Hoc

We are concerned about the government's ability to address the recruitment priority.

21.43 We expected that recruitment levels for the Post-Secondary Recruitment program would be aligned with forecast vacancies according to retirement and attrition rates over five years. We also expected that based on established levels, recruitment strategies would be developed to reach and recruit the necessary candidates.

21.44 In reviewing some current profiles of senior managers, we learned that on average, it took them 10 years to move from their professional entry-level to an executive position. Given this fact and the objective of the Post-Secondary Recruitment program (to recruit for the short- and long-term needs of the public service), we found no analysis of the way the program will help to replace the many senior workers who will be eligible to retire in eight years or of its chance of success in doing so.

21.45 Recruitment levels of the program are based on ad hoc requests of a few departments. We found no evidence that the Public Service Commission or the Treasury Board Secretariat challenge the number of positions proposed by departments to address the recruitment priority.

For its part, Statistics Canada has formally made human resource planning a priority and recruited more employees to sustain its work force.

21.46 Annual recruitment levels of some corporate development programs have been set, but have not been met. For example, over the last four years, the MTP has hired between 27 and 71 candidates. For the same period, recruitment levels for the MTP were set at 80 and then 100 for the last two years. The AETP has not reached its annual recruitment level of 14 in the last four years. Though the FORD program does not have a set recruitment level, it has hired about 100 candidates annually. FORD officials say that the program has played a key role in renewing and rejuvenating the finance community. However, they recognize that more recruitment is needed because there is a growing need to implement a recruitment strategy for filling middle management positions in the financial community.

21.47 For its part, Statistics Canada has formally made human resource planning a priority and recruited more employees to sustain its work force. Exhibit 21.3 illustrates some key components of its recruitment practices. To meet its forecasts, Statistics Canada has recruited an average of 200 knowledge workers annually, using the Post-Secondary Recruitment program as the primary vehicle.

21.48 In 1998-99 Fisheries and Oceans undertook a special recruitment initiative to renew their science and technology community and aimed to create 86 new positions in areas where gaps were predicted. The Department identified the Post-Secondary Recruitment program as the key to hire these professionals and scientists. The Department intended to convert 17 term employees to indeterminate (or permanent) status and recruit up to 69 candidates through the program. In fact, it reduced the target to 81 new positions, converted the status of 53 of its term employees, staffed 22 positions with temporary or casual employees and hired only six candidates through the program.

21.49 In February 2000 Fisheries and Oceans stated in a letter to the Clerk that it would annually hire 100 more employees than its projected attrition rate. The department is not participating in this year's fall campaign of the program and is still developing recruitment strategies and plans. For these reasons, we are concerned about the Department's ability to meet its commitment in 2000-01.

Exhibit 21.3

Key Components of Statistics Canada's Recruitment Practices

Management support

- Management is continuously involved in human resource planning, including recruitment.
- Policies, systems and practices are effective for managing work force needs because they have been tested and applied for about 10 years.
- The Department follows a central approach to its recruitment and development programs and has a number of management committees and reporting structures that it uses to deliver them.

Human resource planning

- The Department clearly states the strategic direction. It integrates the strategic direction into the long-term planning process. It links the long-term human resource strategy to the strategic direction.
- The Department integrates human resource planning into its operational planning.
- The Department determines renewal requirements from long-term planning exercises and analyses.
- The Department makes three- to five-year forecasts based on the need to deliver its programs and on attrition and promotion rates.
- The Department continuously assesses the strength of its work force.

Management of recruitment

- The Department uses the Post-Secondary Recruitment program for many of its key occupational groups.
- The Department joins the Public Service Commission for promotional visits at university campuses.
- Promotional material explains the Department's working environment.
- The Department stresses merit and fairness in its recruitment practices and provides sensitivity training to recruiters.
- The Department shares information on its recruitment practices.
- The Department's candidates are offered structured training and development opportunities.
- The Department maintains eligibility lists of qualified candidates.

Performance assessment

- The Department periodically assesses recruitment strategies. It conducts surveys to improve recruitment practices and determine whether it has met the expectations of candidates.
- The Department gives feedback to the Public Service Commission on recruitment results.
- The Department monitors recruitment costs.
- The Department tracks acceptance and retention rates and uses this information to adjust future recruitment activities.

Source: Statistics Canada

21.50 The Department of Foreign Affairs and International Trade has hired an average of 50 foreign service officers since 1997 and expects to hire 60 through the fall 2000 campaign of the program. In the past three years, it has hired up to 15 management and consular affairs officers annually. Yet it is experiencing high attrition rates because almost a third of foreign service officers leave after 7 to 12 years on the job. In addition, we noted that roughly 40 percent of officers and 38 percent of executives will be eligible to retire in 2001. In our opinion, these demographics could leave the Department in a difficult position to replace staff if a majority of these employees decide to retire soon. Nevertheless, the Department is not further adjusting its recruitment levels under the program.

21.51 Central agencies and most departments have not analysed labour markets to assess trends that affect the program. In our view, several factors will make it more difficult to attract candidates in the future: a smaller pool of candidates,

Central agencies and most departments have not analysed labour markets to assess trends that affect the program.

increased competition for candidates, and workers' changing expectations.

21.52 To address the recruitment priority of the federal government, the Treasury Board Secretariat and the Public Service Commission should immediately develop a results-oriented strategy that will identify recruitment expectations for the government.

21.53 In this strategy, the Public Service Commission, the Treasury Board Secretariat and departments should identify appropriate recruitment levels for the Post-Secondary Recruitment program.

There Is a Trend to Hiring on a Term Basis

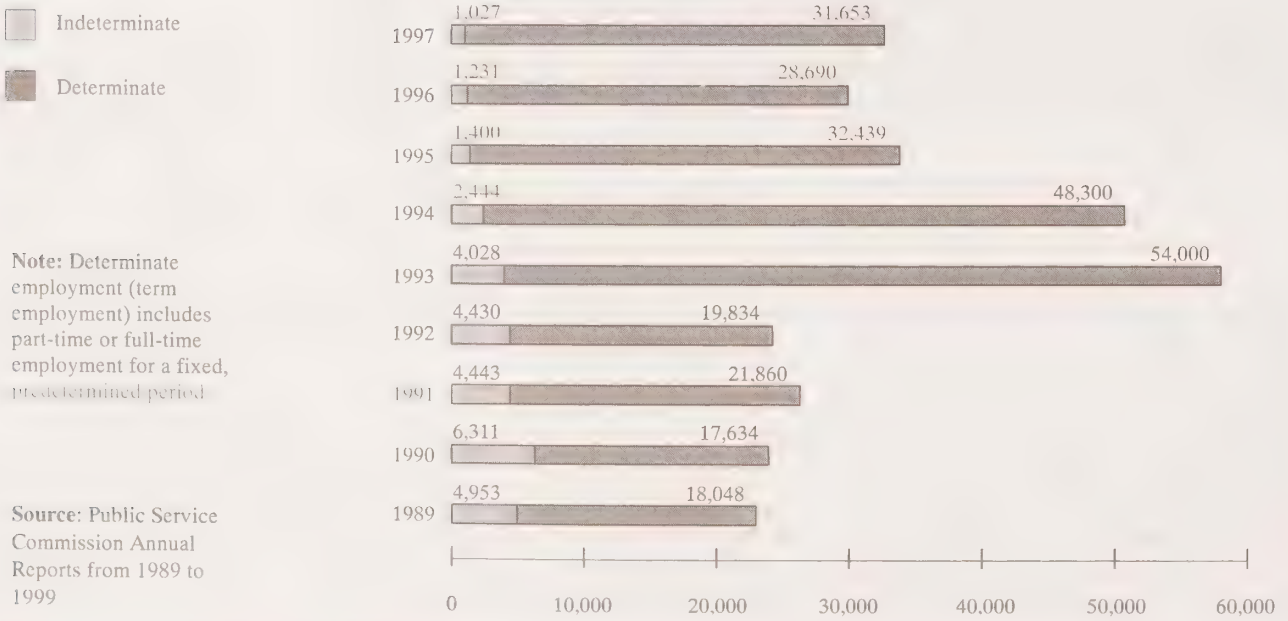
21.54 Over the past 10 years, specific-period appointments have outnumbered indeterminate appointments by a wide margin (see Exhibit 21.4).

21.55 Many managers we interviewed gave us a number of reasons for hiring employees on a term basis: uncertainty about long-term funding, short-term project work, and a quicker way to replace an indeterminate employee on assignment. They also prefer term hiring because it is faster than hiring for a permanent position and it gave them a chance to assess the suitability of the candidate — a "try before you buy" approach. (It should be noted that indeterminate employees have a probationary period of up to 12 months in some cases.)

21.56 Managers also indicated that the conditions of the competitions for term employment are quite restricted in the eligible area of competition, specified skills, and the period to apply. These conditions limit the number of applicants. Managers reported that employees on term status are often converted to indeterminate status because they have a proven track record and have gained knowledge of the department and its operation.

Exhibit 21.4

Types of Appointments to the Public Service



Note: Determinate employment (term employment) includes part-time or full-time employment for a fixed, predetermined period

Source: Public Service Commission Annual Reports from 1989 to 1999

21.57 One director of a school of public administration told us that its students, who were studying for a career in the public service, were willing to accept a contract or a term appointment because they see this offer as the primary means of entry into the public service. The director noted that as a result, graduates would spend some of their energy on seeking indeterminate positions, rather than fully committing themselves to their work and dealing with the challenges of the job. They would also become cynical about the recruitment process and careers in the public service. Some managers we spoke to made the same observations. If hired on a term basis, employees would keep searching for a permanent position elsewhere and would likely leave the department if they received an offer. This continuous search has an impact on the work units' productivity.

21.58 Job creation and employment rates are rising and unemployment rates are falling; this trend means that there is more competition for fewer resources. In the 1990's employment increased for knowledge workers in the management, scientific, professional and technical fields. University placement officers also indicated that qualified graduates might not consider the public service for short-term employment when competitors offer permanent positions. Consequently, the public service may be losing qualified candidates and may be finding it more difficult to attract them in an increasingly competitive market.

21.59 In our view, this short-term hiring practice shows a lack of long-range planning. Managers are being reactive by filling their vacant positions with specific-period hiring, with little regard for long-range needs. This trend may also affect the planning and use of the Post-Secondary Recruitment program.

21.60 The Public Service Commission should review departments' hiring on a term basis and assess the extent to which this practice has an impact on the government's strategy for recruitment and on the use of the Post-Secondary Recruitment program.

The Public Service Commission Needs to Be a Better Recruiter

21.61 The Public Service Commission and departments share responsibilities for the Post-Secondary Recruitment program's two campaigns that take place each year.

21.62 As the overall manager of the program, the Commission is responsible for promotion, administration of the application process, initial testing and pre-screening. For corporate development programs (MTP, AETP, and FORD program), it often runs assessment centres and co-ordinates interviews. Once the Commission refers candidates to departments, its work is completed.

21.63 Departments provide the Commission with the type and number of positions for which they will be recruiting and indicate the education and skills required. Some of them promote their positions on visits to university campuses. After the Commission has referred candidates, most departments undertake additional selection processes, including further review of applications, testing and interviews. In many cases, the process takes up to nine months from application to job offer.

21.64 Despite the lengthy process to reach a final decision, officials from departments that used the program were very satisfied with the results and found that selected candidates were well qualified.

Despite the lengthy recruitment process, officials found that selected candidates were well qualified.

In our view, short-term hiring shows a lack of long-range planning.

Promoting the federal public service to university graduates could be improved

21.65 We expected to find promotion of the public service and its values, and a realistic presentation of the working environment in general.

Students were not aware that the government was hiring and no longer downsizing.

21.66 According to university placement officers and a recent survey of students, the Commission was not sufficiently and aggressively promoting the advantages and benefits of a career in the public service. Information on benefits and compensation, work environment, work challenges and careers was lacking. As well, students were not aware that the government was hiring and no longer downsizing. This fact is significant given the competition for qualified candidates.

21.67 We noted that the Commission has undertaken some promotion initiatives. In 1999 the Commission prepared a Speaker's Resource Kit, which contains general information on the federal public service. For the fall 2000 campaign of the Post-Secondary Recruitment program, the Commission posted more information on its Web site (www.jobs.gc.ca) about the benefits of a career in the public service.

21.68 In 1999 the Department of Foreign Affairs and International Trade produced documentation for candidates that presents a realistic picture of the advantages and disadvantages of a foreign service career. Statistics Canada has a booklet that outlines the selection process and the advantages of a career in the organization.

21.69 In our opinion, more needs to be done to promote the public service as a career choice.

Government visibility on campuses could be better co-ordinated

21.70 We expected the Commission and departments to co-ordinate their visits to university campuses.

21.71 During the program's campaigns, the Commission uses its regional offices' staff to visit university campuses. Some departments that advertise positions through the program also go to universities; others do not.

21.72 We noted that visits by the Commission and departments do not always coincide. Moreover, university placement officers indicated that students were sometimes confused about the image of the public service.

21.73 Some students did not know if the Commission was recruiting for the public service, the Commission itself or the departments. Others were unaware that some departments belong to the public service. The Commission and departments need to review the promotion of the public service as a whole and explain more clearly how positions fit into the overall picture.

21.74 University placement officers indicated that a united approach would have more impact. The Commission could promote careers in the public service in general, and departments could elaborate on the advantages of the opportunities they have to offer. The placement officers and human resource officials in private organizations believe that the most effective practice is to assign for every visit a senior manager who can answer broad questions and a recent recruit who can relate to students' needs.

21.75 University placement officers suggested that the government promote employment opportunities in the students' first undergraduate years to encourage them to consider and prepare for a career in the public service. They also suggested that the government might wish to increase its visibility on campuses. This greater presence would allow it to further promote the public service as a career choice and provide more timely information to students on the Post-Secondary Recruitment program.

The scheduling of the program's campaigns raises problems

21.76 University placement officers and government managers are concerned about the brevity and the restrictive timing of the program's campaigns. Each campaign lasts some four weeks, usually

in September and again in January. Recruitment for corporate and departmental development programs is only done in the fall. The program's fall campaign starts in the first week of the semester when most students select their courses, organize their timetables and settle in; the candidate's assessment process takes place during mid-term exams.

21.77 Information on the program's Web site is limited, except during the two campaigns. There is no continuous application process for the Post-Secondary Recruitment program.

There is no continuous application process for the Post-Secondary Recruitment program.

The program does not offer opportunities across the country

21.78 While over two thirds of the federal public service work outside the National Capital Region (NCR), we expected that the program would recruit for entry-level positions in other regions.

21.79 We found that the program offered jobs primarily in the NCR. University placement officers told us that students are frustrated by the lack of regional work opportunities and the need to relocate to the NCR. The Commission's regional personnel believes that the program has to be tailored to regional recruitment needs because current opportunities in the NCR are not always attractive to candidates.

21.80 Placement officers added that when the Commission's regional representatives are on campus, they promote only positions advertised under the program. They do not talk about possible regional opportunities in departments that may arise during the year through general recruitment.

21.81 Recruiters of organizations in the private and para-public sectors have more aggressive, timely and flexible recruitment practices (see Exhibit 21.5).

21.82 When compared with the Commission's recruitment practices, these organizations are more visible on campuses and regularly meet with placement staff and faculty members of institutions. They clearly define their corporate image and do not limit requests for applications to specific periods or campaigns. Their managers focus more on the recruitment results than on process, which is usually less time-consuming.

21.83 The Public Service Commission has taken a number of steps to improve

Exhibit 21.5

Recruitment Practices of Private and Para-Public Organizations

Private organizations

- A Canadian financial institution participates in every job fair on university campuses and offers many perks to attract students. Its Web site is user friendly, and students can submit applications year-round.
- A Canadian insurance company participates in every relevant fair on high school and university campuses that have an actuary sciences program. It offers summer positions to students for three years and eventually a permanent job. The company has a Web site that is user-friendly, and students can submit applications year-round. It also advertises job offers in all relevant newspapers and at Human Resources Development Canada. The company developed a hiring and recruiting kit for its managers.
- An international high-tech firm pays for the tuition fees of the students it hires in the summer so that they can act as its ambassadors year-round on campus. In turn, the firm expects students to participate in career fairs and promote their employer. The firm's Web site is user-friendly, and students can submit applications year-round.

Para-public organization

- A Canadian research establishment locates and tracks undergraduates in biological sciences and offers them summer or term positions. Its intention is to hire them when they graduate with a Ph.D.

Source: Canadian organizations

the performance of the Post-Secondary Recruitment program's campaigns. However, university placement officers and government managers believe that more improvements are needed in promoting the public service as a career choice, increasing government visibility on campuses, and scheduling campaigns. In addition, expanding the program to offer more regional positions needs to be explored.

21.84 To improve its performance as a recruiter of university students under the Post-Secondary Recruitment program, the Public Service Commission should review the design of the program to make it more flexible, adaptable, and timely.

In 1998, nearly 5,600 candidates met the basic requirements, but were not hired.

21.85 The Public Service Commission should better co-ordinate recruitment efforts with departments to promote the public service as a career choice and to offer opportunities across Canada.

Greater Use Could Be Made of the Program's Campaigns Results

21.86 Some 11,500 graduates applied under the Post-Secondary Recruitment program's 1998 campaign. The Commission referred some 6,400 of them to corporate development programs and to departments for further assessments. As a result, about 800 received appointments, leaving nearly 5,600 candidates who were interested in public service positions and met the basic requirements, but who were not hired.

With the call to renew the public service, we expected that more departments would have participated in the program.

21.87 According to the Commission's information system, general recruitment competitions in 1998–99 resulted in some 7,000 appointments in the Administrative and Foreign Service and Scientific and Professional categories, of which some 5,400 were for a term period.

Inventory of qualified candidates would maximize results

21.88 The Commission spends considerable time and money advertising positions, processing applications, and assessing candidates. However, except in very few circumstances, the Commission does not maintain an inventory of the program's qualified candidates for referrals in other general recruitment processes.

21.89 In our view, if government managers had access to inventories of pre-screened qualified candidates who had been assessed through a broad-based merit process, their staffing process could be more efficient. Managers might also be more encouraged to hire them on an indeterminate basis.

21.90 The Commission manages an inventory of candidates for positions in information management and information technology (IM-IT) and uses innovative techniques to expand opportunities for graduates and to facilitate staffing for managers. The Post-Secondary Recruitment program could benefit from some of these techniques.

Few departments use the program

21.91 Between 1996 and 1999, nine departments regularly advertised positions in the Post-Secondary Recruitment program, and seven others did so occasionally. The many departments that do not hire using the program is puzzling, given that they have positions requiring workers with a university degree.

21.92 Following the call for the renewal of the public service, we expected that more departments would have participated in the program. The number of them taking part in the fall 2000 campaign is higher than in previous years, yet it still represents a small portion of the federal government. We did not find any analysis of this lack of participation.

21.93 The Public Service Commission should maximize the use of the

campaign results of the Post-Secondary Recruitment program by managing an inventory of pre-screened candidates. This inventory could be used to fill positions that are advertised during the program's campaign and for any other government positions.

21.94 The Public Service Commission should determine why more departments are not participating in the program and address departmental concerns in the program's design.

Assessment and Reporting of the Program's Results Are Limited

21.95 We expected the Public Service Commission would regularly assess activities of the Post-Secondary Recruitment program, particularly recruitment acceptance rates, retention rates and costs as well as selection tools.

21.96 Private sector managers provide some analysis and feedback to the human resource divisions to adjust recruitment strategies (see Exhibit 21.6).

Assessment of the program's recruitment activities is weak

21.97 Recruitment acceptance and retention rates are not analysed. In 1999–2000 the Commission undertook the Longitudinal Study, which reviewed the recruitment process from the submission of applications to appointments for the fall 1998 campaign of the program. The objectives of the study were to improve the understanding of the process, advise on the subject and identify any potential barriers to encouraging diversity in occupational groups.

21.98 The study states that departments filled only 62 percent of the positions they had advertised through the Post-Secondary Recruitment program in 1998. The study reports a similar figure for previous years. The Commission acknowledged that it cannot explain these shortcomings because it has not systematically gathered information on the number of candidates who have qualified and have been selected through the program. For the same reason, it cannot advise the program's regional co-ordinators to help them adjust their promotion efforts. To improve the monitoring of campaign results, the

In 1998, departments filled only 62 percent of the positions they had advertised through the Post-Secondary Recruitment program.

Exhibit 21.6

Examples of Feedback on Recruitment in Some Private Sector Organizations

- A Canadian insurance company expects feedback from managers to adjust its recruitment strategy. Managers are held accountable and report to the Chief Executive Officer if a new recruit does not succeed. The human resources division updates its hiring and recruiting kit based on feedback from managers. The division prepares an exit interview report, which includes the views of departing term employees, and submits it to the CEO for action.
- A Canadian financial institution conducts exit interviews of departing employees and adjusts its recruitment strategy accordingly. It also uses the results of exit interviews to update competencies required for entry-level positions.
- A Canadian chemical, mechanical and electrical company advertises work diversity to attract the right talent. It expects employees to have three to four careers with the company. After two years, the human resources division and managers discuss new avenues with employees. Because its turnover rate is very low, the company participates in an annual industrial survey on human resources. The survey provides information on the time to fill a position as well as recruitment acceptance rates and costs.
- An international industrial firm regularly assesses its recruitment practices and tackles competition from other firms for recruiting in the following way: "Continuous challenges have to be offered to employees. To reduce employees' mobility, these challenges have to be better than those offered by competitors. Nowadays, competitive organizations' recruitment strategies need to consider sculpting positions to attract the right talent."

Source: Canadian organizations

Commission has established partnership agreements with participating departments that require them to report the reasons for the difference between the number of advertised positions and hired applicants.

21.99 We have mentioned in paragraph 21.46 that some corporate development programs had difficulty in reaching their recruitment levels. These levels have not been revised based on past experience, and recruitment activities have not been revisited to meet these levels in the future. As well, we also found that there is no systematic tracking of candidates after their completion of these development programs to determine whether they have remained in the public service or moved into managerial positions.

21.100 University placement officers would like to know the number of student applications that the Commission received, those referred to departments and corporate development programs and those appointed. This data would help them make recommendations on curriculum and counsel students on careers in the public service.

The Public Service Commission has undertaken two separate studies to improve its performance in ensuring an employment equity perspective in the candidate's assessment processes.

21.101 We found that Statistics Canada tracks its recruitment acceptance and retention rates for decisions on human resource planning and adjusts its activities accordingly. The Department of Foreign Affairs and International Trade is looking at its problem in retaining foreign service officers. Subsequent to a recent departmental review of its results with the last campaign of the program, the Department is now streamlining its assessment process for Foreign Service and Management and Consular Affairs Officers programs because of similarities in basic recruitment requirements.

21.102 Knowledge of recruitment costs is uneven. We expected that the Commission and departments identify recruitment costs and use the information to improve the management of the Post-Secondary Recruitment program. We found that knowledge and use of this information varied.

21.103 The Commission has estimated that its direct costs for the program increased from $1.19 million in 1997-98 to recruit some 350 candidates in one campaign to $ 1.38 millions in 1998-99 to recruit about 850 in two campaigns. It expected costs to reach $1.44 million in 1999-2000 to recruit 800 candidates. Assessment and selection costs incurred by departments and corporate development programs are not included in these figures.

21.104 We found no cost-effectiveness analysis of the program's components, such as visits to universities, various promotion activities and the use of regional offices. This analysis would allow the Commission to maximize its investment in these components and make necessary adjustments.

21.105 Statistics Canada has a system to adequately monitor its recruitment costs. The Department of Foreign Affairs and International Trade recently began to budget and track its recruitment costs.

21.106 In our view, the uneven knowledge of these costs for recruitment activities — a major investment in human resources — limits the ability of the Commission and the departments to monitor and improve the cost effectiveness of these activities.

21.107 Selection tools have been assessed for employment equity bias. The Public Service Commission has undertaken two separate studies to improve its performance in ensuring an employment equity perspective in the candidate's assessment processes. The first study is the External Review of Selected Instruments of the PSC's Personnel Psychology Centre (Cronshaw Report). It assessed a sample of selection tools and tests for potential bias or adverse impact, including some used in the Post-Secondary Recruitment program.

21.108 As a result, the Commission replaced two tests used for the program because of their adverse impact on employment equity. The Department of Foreign Affairs and International Trade changed the education requirements for foreign service officers from a master's degree to a bachelor's degree. Statistics Canada made the same change.

21.109 The second study, the Longitudinal Study discussed earlier, focussed on the program's outcomes for equity groups.

21.110 The Task Force on Visible Minorities, chaired by Lewis Perinbam, suggested in June 2000 that one member of a visible minority be recruited for every five new recruits. The task force reported its concern about the significant reductions between the number of applications received from visible minorities and the number of those appointed. It suggested that the merit principle was not being meaningfully applied. The Commission's Longitudinal Study indicated that the program's 1998 campaign resulted in 22 percent of appointments for visible minorities, well above their labour market participation rate and equal to the hiring ratio proposed by the task force. However, the study also noted a considerable decline in representation from applications to referrals, and then to appointments.

21.111 During our audit, university placement officers mentioned the need for the Commission to increase its contact with various on-campus student associations involved in employment equity issues to further facilitate recruitment under the program. We are aware that the Commission has increased its outreach activities, but it may need to keep universities better informed about its activities.

21.112 We expect the Commission to use the Longitudinal Study to improve and monitor the results of its future program campaigns.

21.113 The program's efficiency and effectiveness has not been assessed. Under the program, the departments hired over 1,500 candidates between 1996–97 and 1998–99, and about an expected 800 in 1999–2000. We did not find any assessment to determine the extent to which recruitment levels under the program are adequate to address the government's recruitment priority. We did not find any analysis to determine whether the program complemented other recruitment activities in the public service.

21.114 Because the overall expectations for recruitment have not been stated, it is difficult to assess the efficiency and effectiveness of the program. For the same reason, it is difficult to determine the extent to which the program is contributing to the renewal of the government's professional and management work force and whether corrective action is necessary.

It is difficult to determine the extent to which the program is contributing to the renewal of the government's professional and management work force.

Reporting of results needs major improvement

21.115 We expected the Commission to report the results of the Post-Secondary Recruitment program.

21.116 We reviewed the Commission's annual reports, its reports on plans and priorities and performance reports. We found that the information presented in the annual reports is usually limited to quantitative data on numbers and types of appointments. These documents do not provide long-term trend analysis or qualitative information such as hiring trends of recruitment programs, expected shortages in occupational groups, and participation and performance of departments in hiring activities by status of employment. Given that the Commission has not stated expectations for recruitment levels, it cannot adequately report results. However, the Commission needs to at least explain the

difficulties that it has encountered in trying to meet recruitment levels and discuss the lessons that it has learned.

21.117 Departments and corporate development programs do not report systematically to the Commission the results of their activities through the program against their expectations. Nor do they provide feedback on the Commission's level of service. This information would help to assess the extent to which changes should be made to the recruitment strategy.

21.118 The Public Service Commission and departments should systematically assess recruitment activities under the Post-Secondary Recruitment program to improve its efficiency and effectiveness. The Commission and departments should also report to Parliament on the success of the program.

The work of the Committee of Senior Officials on Recruitment is not complete

21.119 To highlight the importance of the government's recruitment priority, the Clerk of the Privy Council created in October 1999 a subcommittee of deputy ministers on recruitment. The objectives were to develop a problem statement, a federal strategy, and a work plan to address government recruitment needs. The Committee of Senior Officials (COSO) asked the subcommittee to ensure that recommendations consider options for, among other things, the strategic use of recruitment, future government recruitment campaigns and the integration of recruitment activities with the broader exercise of examining program integrity (ensuring that existing programs are adequately structured and resourced).

21.120 The following statement from the report reflects our findings:

> Demographic and labour market realities are leaving [the federal public service] with gaps to be filled, and there will be even greater gaps ahead unless [the government] takes serious, sustained action on recruitment. The public service faces an even greater recruitment imperative than most organizations in Canada — all of this taking place in an increasingly competitive labour market for skilled [knowledge] workers. [Moreover, in the next] five years, a significant number of executives and more importantly, their feeder groups, will be eligible to retire. Current recruitment and career development processes are not enough to meet the expected demand.

21.121 Based on our review of the report and its proposed action plan, we believe that the plan needs further development in setting the government's recruitment levels, building human resource capacity, implementing recruitment alternatives such as "overstocking" or maintaining a pool of generic positions, and reporting results.

21.122 For the Post-Secondary Recruitment program, the subcommittee suggests a number of initiatives that mirror our recommendations: improving the promotion of the program, increasing the government's visibility on university campuses, managing an inventory of pre-screened qualified candidates, and encouraging more departments to use the program. However, the subcommittee's report and action plan do not state specific results expected from these initiatives.

Conclusion

21.123 Our audit and many public reports we have reviewed indicate that the federal public service is experiencing shortages of knowledge workers, which are expected to worsen as demographics and the retirement of the baby boomers come into play in five years. This looming work force crisis will leave the public service with professional and management positions that will be difficult to fill in an increasingly competitive environment.

Therefore, the government must take immediate action.

21.124 Current efforts to deal with the recruitment of human resources are not well co-ordinated because leadership of a government recruitment strategy has not been assigned. Moreover, these efforts are neither timely nor efficient and, as such, are not likely to be effective to renew the professional and management work force of the public service in five years.

21.125 The Public Service Commission, in its current role of recruiter, succeeds in attracting qualified knowledge workers, but this success is not translated into the hiring of sufficient numbers. The design and management of the Post-Secondary Recruitment program needs to be enhanced. The Commission also needs to maximize the use of the program. In particular, the Commission needs to assume its assigned responsibilities as the recruiter:

- to encourage the participation of departments under the program;

- to ensure that government recruitment levels are spelled out and meet the government's objective; and

- to better promote the public service as a career choice to university graduates across Canada.

21.126 The Treasury Board, in its role of employer, needs to provide guidance and guidelines to the human resource community and government managers to help them adequately deal with the recruitment issue. Furthermore, the Board needs to anticipate departments' resource requirements to help them manage the issue.

21.127 Departments need to review their participation in corporate initiatives and current hiring practices and carefully assess the impact of these activities on their long-term human resource planning.

21.128 In addition, the Commission, the Treasury Board Secretariat, and departments need to review how they can best inform Parliament of their progress in recruiting indeterminate employees. A significant improvement would be to report quantitative and qualitative information, such as recruitment practices, resource allocations and achieved results against recruitment levels and specific areas of shortages by occupational groups.

21.129 In our opinion, even if immediate actions are taken to improve recruitment practices under the Post-Secondary Recruitment program, shortages of knowledge workers may nevertheless occur. The Commission may need to consider other alternatives for recruitment above the entry level to minimize potential consequences for the public service in delivering programs and providing services of quality to Canadians.

Response of the Treasury Board Secretariat for the government and the departments audited: *The seriousness of recruitment to the public service is demonstrated by the government's commitment in the 1999 Speech from the Throne and by the Clerk of the Privy Council who created and chaired a Deputy Minister Committee mandated to develop action strategies on this issue. This committee also recognized (consistent with the Auditor General's observations) that tailored recruitment strategies would be required and that entry into the public service should be a consideration at all levels, not only our perceived entry level positions of the past. For example, the Department of Foreign Affairs and International Trade has broadened its recruitment strategy to include mid-career transfers and secondments as well as the traditional entry-level recruitment.*

The Treasury Board is also strengthening its role in overseeing and planning the human resource needs of the public service. As one element of assistance, the Treasury Board Secretariat has launched a

Web site on Demographic Analysis of the Federal Public Service Workforce. *This site contains references and links to research, both inside and outside of the public service. The Secretariat will be working more closely with the Public Service Commission and departments. Our objective is to work in collaboration in the analysis, planning and development of recruitment strategies that will meet department's unique needs.*

As well, deputy heads are leading renewal activities. Fisheries and Oceans has created several working groups at the assistant deputy minister level to lead workplace improvement initiatives. These initiatives focus on ways we can enhance our capability to develop meaningful human resource plans that can address recruitment and retention strategies.

The government concurs with the Auditor General's recommendations. We agree that the public service must adopt an active renewal approach — one that uses this opportunity to enhance our representation of the citizens we serve and that attracts the people with the skills we need for our future work.

Response of the Public Service Commission: *The Commission agrees with the recommendations made on the Post-Secondary Recruitment (PSR) program and the audit observations are consistent with the findings from the Commission's studies, which support the improvements that are under way and those that are being planned.*

The PSR program has been very important in attracting and recruiting new employees to the public service. The Commission agrees with the statement made in one of the main points of the audit report to the effect that the Public Service Commission is recruiting qualified candidates. In the fiscal year 1999-2000, there were 16,636 PSR applicants for 1,131 advertised positions, demonstrating a good market penetration on campuses. However, this is not the only mechanism for hiring managers. In 1998-99, approximately 85 percent of all indeterminate appointments were made by other means than PSR.

The Commission requires significant new investment in resources to maximize the results of the PSR program campaign and make it a strategic recruitment tool for entry into the public service. The Commission needs the resources to rebuild capacity that was lost as a result of the Program Review in 1994 and the consequent decrease in recruitment activities. Recruitment demand has picked up significantly in the last two year. The Commission has re-allocated its resources and:

- *established an additional annual winter PSR campaign since 1998;*
- *introduced on-line job information and application through www.jobs.gc.ca;*
- *enhanced promotion and marketing efforts through increased campus visits; increased presence in career fairs and expanded outreach to employment equity groups;*
- *undertaken specialized recruitment strategies for groups such as the information technology community; and*
- *re-introduced inventories for high demand areas such as Computer Systems Administration (CS) and Personnel Administration (PE) occupational groups.*

Specific comments related to the recommendations: *The Commission will work collaboratively with the Treasury Board Secretariat to support departmental efforts in the elaboration of a results-oriented recruitment action plan and in the determination of appropriate recruitment levels through their human resource planning exercises. The Commission will continue its efforts to assist departments with modeling and demographic analysis. Twelve departments, eight regional areas and four functional communities (policy, communications, regulatory inspection,*

science and technology) have benefited from these services recently. The Commission is also exploring with the Secretariat the establishment, in 2001, of a joint centre of expertise in demographics and modeling.

The President of the Public Service Commission has increased the PSR program's visibility by personally writing to his colleague deputy ministers, asking them to participate in the program's campaigns, to designate recruitment "champions" and to undertake partnership agreements with the Commission on departmental targets and results framework. It has also established an interdepartmental advisory committee on recruitment programs.

The Commission, in collaboration with the Secretariat, has produced a recruitment action plan. Under this initiative, the Commission has submitted a business case for increased resources to modernize and rebuild recruitment capacity across the public service, which includes the redesign of the Post-Secondary Recruitment program's campaign. With increased resources, the Commission will launch a new PSR by fall 2001. The redesign will address, among others:

- *establishment of a planning framework and results-oriented strategy that identifies recruitment expectations and the appropriate PSR recruitment levels, including regional opportunities, and proactive communication/marketing to departments seeking their commitment to the use of the PSR program;*

- *assessment of term usage and its impact on the program's strategy;*

- *development of public service-wide brand to promote the public service as a career and specific marketing and promotion activities for target areas or occupational groups; co-ordination of recruitment efforts and government visibility on campus; establishment of inventories;*

- *investment in technology to provide tools to hiring managers and human resource advisors and streamline the recruitment process; and*

- *development of a performance measurement framework and tools.*

The PSR program redesign will include an appropriate performance measurement framework and reporting requirements. The Commission will report to Parliament through its Performance Report and Annual Report.

About the Audit

Objective

The purpose of our audit was to determine the extent to which the Post-Secondary Recruitment program will enable the government to renew its professional and management work force and to assess the effectiveness and efficiency of the program.

Scope

We focussed on how the Public Service Commission of Canada and the Treasury Board Secretariat centrally administer recruitment activities. We examined how the Department of Foreign Affairs and International Trade, Fisheries and Oceans and Statistics Canada identified their human resource requirements and made use of the program. In particular, we examined the Management Trainee Program, Foreign Service Development Program, Financial Officer Recruitment and Development program, and the Accelerated Economist Training Program.

Criteria

Our audit criteria are based on the best practices of public and private sectors in recruitment and selection.

We expected the following:

- Renewal requirements that are stated and are consistent with the government's strategic direction.
- Decisions to develop or acquire human resources that are co-ordinated in a timely manner between central agencies and the senior officials of departments.
- Analyses that are conducted over a five-year forecasted period with respect to
  - the current and available professional and management work force and its feeder groups;
  - future renewal requirements of the professional and management work force and its feeder groups, including competencies; and
  - work force gaps by demographic cohort (difference between requirements and available work force).
- Effective and efficient recruitment strategies that are targeted to fill short- and long-term renewal requirements.
- Recruitment strategies that reflect corporate public service staffing values (e.g., competency, non-partisanship and a representative work force) and provide a realistic view of the working environment in general.
- Policies, systems and management practices that are in place. Roles, responsibilities and accountabilities that are identified for recruitment and selection decisions. Related recruitment costs that are identified and used in decision making for recruitment.
- Best recruitment practices that are shared to facilitate recruitment performance improvement.
- Analyses of acceptance and retention rates that are conducted and used to improve recruitment strategies.
- Selection and assessment tools that are analyzed for biases and barriers to ensure that objectivity and transparency are maintained throughout the selection process.

- Regular assessment that is done of recruitment strategies and programs against expected forecast requirements and related costs.
- Reporting that is conducted on recruitment strategy, programs and results against expectations.

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Appendix A

List of Occupational Groups for the Scientific and Professional, and Administrative and Foreign Service Categories

Occupational groups for the Scientific and Professional category		Occupational groups for the Administrative and Foreign Service category	
AC	Actuarial Science	AS	Administrative Services
AG	Agriculture	CO	Commerce
AR	Architecture and Town Planning	CS	Computer Systems Administration
AU	Auditing	FI	Financial Administration
BI	Biological Sciences	FS	Foreign Service
CH	Chemistry	IS	Information Services
DE	Dentistry	MM	Management Trainee
DS	Defence Scientific Service	OM	Organization and Methods
ES	Economics, Sociology and Statistics	PE	Personnel Administration
ED	Education	PG	Purchasing and Supply
EN	Engineering and Land Survey	PM	Program Administration
FO	Forestry	TR	Translation
HR	Historical Research	WP	Welfare Programs
HE	Home Economics		
LA	Law		
LS	Library Science		
MA	Mathematics		
MD	Medicine		
MT	Meteorology		
ND	Nutrition and Dietetics		
NU	Nursing		
OP	Occupational and Physical Therapy		
PH	Pharmacy		
PC	Physical Sciences		
PS	Psychology		
SE	Scientific Research		
SG	Scientific Regulation and Patent		
SW	Social Work		
UT	University Teaching		
VM	Veterinary Medicine		

Source: Treasury Board Secretariat's Employment Statistics for the Federal Public Service

Appendix B

Summary of the Report of COSO's Subcommittee on Recruitment, July 2000

Most departments believe that they are facing a significant recruitment challenge over the next five years, as they prepare for the retirement of an aging work force. Some departments are conducting leading-edge recruitment, and others know they have to act. Departments need to play a more corporate role in sharing innovative approaches to develop more strategic recruitment practices for the future.

While departments expect to make increasing use of the Post-Secondary Recruitment program, the program accounts for only one percent of new appointments each year in the professional categories. The Management Trainee Program and other corporate initiatives exist and are used, but it is not clear that these are linked to concrete, strategic human resources plans.

The subcommittee recommended that public service leaders do the following:

- offer permanent jobs, where appropriate, to qualified new recruits and assess their potential during the probationary period, instead of using term assignments to determine their suitability;
- make human resource planning an integral part of business planning and align recruitment with future business direction;
- inform the President of the Public Service Commission of any barriers to recruitment that need to be eliminated; and
- challenge departmental corporate services to support innovative approaches.

The subcommittee also recommended that human resource specialists do the following:

- ensure that recruitment managers have the support to effectively recruit, orient and retain new employees; and
- provide strategic advice and guidance on how to recruit the right people for the right place at the right time.

The subcommittee mentioned that the Public Service Commission and the Treasury Board Secretariat have made an important contribution to moving forward on recruitment, and they are committed to going even further. The central agencies submitted an action plan, Meeting the Recruitment Challenge. The action plan sets out recruitment priorities, including the following:

- There will be more use of the Post-Secondary Recruitment program and attention to current occupational shortages.
- A pool of generic positions will be created into which young professionals can be hired.
- Workplace-of-choice efforts will centre on promoting the public service among potential recruits, especially on university campuses.
- Strategic planning will help to clarify recruitment needs for the next three to five years, with specific business cases for key recruitment challenges. Over time, this initiative will lead to recruitment planning as an integral part of doing business for all managers.

Here are some of the short-term deliverables from the central agencies' action plan:

- For strategic planning, recruitment forecasts will be submitted by April 2001 and April 2002.
- For market analysis, research and review to support forecasting/demographic modelling and work force studies will be ongoing in 2001 and 2002.
- For information on progress, results and accountability, a Post-Secondary Recruitment Partnership Agreement will be signed with departments in 2001 and 2002.

On February 2000 the Clerk of the Privy Council requested deputy ministers to provide information on their department's plan for recruitment. The following reflects some main points of the executive summary:

- It is not clear from the replies received that the sense of urgency has reached the level of hiring managers.
- Most departments are in the planning phase of recruitment and are developing recruitment strategies. There is little information on the specifics of what is planned.
- There is less clarity on what needs to be done for general recruitment across the public service.
- Several departments signalled the need to move to "overstocking" (recruiting more employees than actually needed to prevent major recruitment in the future) for a specified period of time to bring in and develop successors and help address the workload.
- A one-size-fits-all employment package will not meet the diverse needs of functional communities and regions.
- Some departments are experienced recruiters and would be a source of practical expertise.

Report of the Auditor General of Canada to the House of Commons – 2000

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Report of the Auditor General of Canada to the House of Commons

Chapter 22
Development of the Universal Classification Standard: A Follow-up

December 2000

Report of the Auditor General of Canada to the House of Commons

Chapter 22
Development of the Universal Classification Standard:
A Follow-up



December 2000

This December 2000 Report comprises 18 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 2000 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 22

Development of the Universal Classification Standard

A Follow-up

The follow-up work was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants.

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Development of the Universal Classification Standard

A Follow-up

Main Points

22.1 The Treasury Board Secretariat has made major progress in implementing our 1996 audit recommendation on the development of the Universal Classification Standard for the federal public service. This project is fundamental to the reform of human resource management, particularly for staffing and compensation. It is a monumental and highly complex undertaking that requires much time. The present system is outdated and no longer meets the requirements of today's public service and tomorrow's.

22.2 In the last few years, the Secretariat has designed a standard intended to measure the content of diverse types of work in the public service, and has subjected it to a series of tests in departments. Since 1998, departments have been writing new work descriptions for all positions and evaluating them against the Standard. In the course of this project, the Treasury Board Secretariat has developed and issued guides and methodologies based on best practices in job evaluation.

22.3 Despite these achievements, the government still has to address significant issues:

- The Treasury Board Secretariat needs to ensure that the new Standard is being applied appropriately before fully converting to it.
- Departments need to ensure that their work descriptions are accurate and their position evaluation results valid and adequate.
- The Secretariat needs to perform further testing, based on accurate and up-to-date evaluation data, to establish the extent to which the Standard meets its stated objectives to be universal and gender-neutral.
- The government needs to ensure that reasonable and realistic financial resources are available to convert to the new Standard.

Background and other observations

22.4 A classification standard is a measuring tool for determining the relative value of positions in an organization. The Universal Classification Standard, now being developed, must be capable of evaluating all positions in the public service on the basis of work content. The results will be used to establish a hierarchy of positions and the compensation that reflects their requirements.

22.5 The Standard will apply to all Public Service employees for whom the Treasury Board is the employer, with the exception of the executive group. At August 2000, there were some 150,000 positions in 72 separate occupational groups, in some 65 departments and agencies subject to the new classification system. The development of a new classification standard has to meet the requirements of the *Canadian Human Rights Act* on equal pay for work of equal value.

22.6 The existing classification standards do not reflect today's emphasis on serving the public and managing for results. They also do not make reference to the fact that public servants work more and more in partnership with other levels of government and the private sector.

22.7 The development of a new classification standard was launched in 1991 as part of the Public Service 2000 initiative. In 1996, we reported serious deficiencies (May 1996 Report, Chapter 5). Pursuant to our recommendations and the findings of its own review, the government began to improve the Universal Classification Standard. This follow-up chapter is a progress report on the initiative to date.

The Treasury Board Secretariat has responded positively to our findings and recommendations and has affirmed that progress will continue to meet the Universal Classification Standard objectives.

Introduction

22.8 With the launch in 1989 of its Public Service 2000 initiative, the government was seeking to renew the public service and achieve a culture oriented more toward serving clients and delivering results. It set up a task force to review classification and job evaluation. The task force recommended in 1990 that the government develop a new job evaluation system that would be simple, universal and gender-neutral. By fall 1993, a new job evaluation system developed by the Treasury Board Secretariat was in "final draft" form. We decided that before the new system was fully implemented, we would examine whether it would enable the Secretariat to achieve its objectives. The Secretariat's work continued, and the June 1995 version of the Universal Classification Standard became the subject of the audit we reported on in 1996.

22.9 The 1996 audit focussed on assessing whether the proposed Standard would indeed be universal, gender-neutral, simple and cost-neutral. We concluded that while the Standard at that time was a significant improvement, that it would be universal and gender-neutral was not assured. Furthermore, writing and evaluating job descriptions remained relatively complex and costly.

22.10 Since 1996, the Secretariat has focussed its efforts on achieving universality and gender neutrality in the design of the Standard and ensuring that this new evaluation tool is valid and reliable.

Why is a new classification standard needed?

22.11 Largely designed almost 40 years ago, the current classification system is outdated and no longer meets the operational requirements of today's public service and tomorrow's. A number of the classification standards no longer reflect the nature of the work employees do or the way they do it. And no classification standard at present reflects today's emphasis on serving the public and managing for results. Public servants work more and more in partnership with other levels of government and the private sector, and existing standards make no reference to the requirements of that work.

22.12 Since 1991, when the project to develop a new standard began, the introduction of new technologies has changed the nature of work at all levels. Today, over half of public servants are "knowledge worker" professionals.

22.13 As the 1990 PS 2000 task force report acknowledged, existing job evaluation systems are too complex, take too long and cost too much to operate.

22.14 As the federal employer, the Treasury Board is subject to the *Canadian Human Rights Act*. The task force pointed out in 1990 that existing job evaluation systems did not meet the requirements of the Act, and it recommended the development of a new system that would. Moreover, decisions on major pay equity complaints in the public service heard by different Canadian Human Rights Tribunals concluded that the current job evaluation systems did not meet the guidelines on equal pay for work of equal value. In one decision, the Tribunal directed the Treasury Board to correct inequities in the job evaluation system with a new classification standard, free of gender bias. In another decision, the Tribunal dealt only with the salary component of the complaint; it deferred its decision on the gender discrimination component, in part because the government indicated that it was developing a single, universal classification standard that would be gender-neutral.

22.15 The present classification system confines employees to the narrow limits of their job descriptions and is a considerable obstacle to redeployment of resources. Its rigidity prevents the public service from

Largely designed 40 years ago, the current classification system is outdated and no longer meets the operational requirements of today's public service and tomorrow's.

adapting to the changing needs of programs and their clients.

22.16 The Universal Classification Standard is critical to reforming human resource management in the public service. Without a classification standard that can serve as a strong basis for staffing, promotion and compensation, the employer will find it hard or impossible to attract and retain the best people and ensure that a competent public service continues.

The Universal Classification Standard is critical to reforming human resource management in the public service.

A very large and highly complex project that requires time

22.17 The process of developing a classification standard or a job evaluation system is not a mathematical exercise. It involves a degree of subjectivity and the use of judgment. To minimize the subjectivity and to obtain valid, reliable and credible job evaluation results, the process must therefore be rigorous, ordered and systematic. Furthermore, to ensure that the system will meet the needs of the organization and that the results will be consistent, acceptable and equitable, the development process needs to include all stakeholders: management, employees, employee representatives and regulatory bodies. Working out this process and the quality control mechanisms to support it requires a great deal of time and is essential to the success of such a project.

Developing a new standard that adequately takes into account the value of all significant characteristics of work in the public service is a huge task.

22.18 A classification standard is a measuring tool for determining the relative value of positions within an organization. The Universal Classification Standard must be able to evaluate all positions in the public service on the basis of their work content. When all the positions have been evaluated, the results can be used to establish a hierarchy of positions and the salaries that reflect their requirements. This approach to determining salaries was suggested by the PS 2000 working group on compensation with the aim of ensuring internal equity in the organization.

22.19 The size of the organization is another factor that adds considerably to the complexity, the risks and the time involved in developing a new standard. The Standard will apply to all federal Public Service employees (*Public Service Staff Relations Act*, Schedule 1, Part 1), for whom Treasury Board is the employer, with the exception of the executive (EX) group. The more jobs there are and the more varied their work content, the more complicated and risky the process of developing a standard will be. In the public service, for example, the Position Classification Information System showed in August 2000 some 150,000 positions in 72 separate occupational groups, in some 65 departments and agencies that are subject to the new classification system. The variety of positions is vast, ranging from research scientists, nurses, program managers and policy analysts to ships' officers, electricians, secretaries, pay clerks, and maintenance workers. Developing a new standard that adequately takes into account the value of all significant characteristics of work in the public service is a huge task.

22.20 Meeting the requirements of the *Canadian Human Rights Act* is another significant challenge. Often ignored, the requirements are based on the concept of equal pay for work of equal value. In developing a job evaluation system in a federal organization, the value of positions in predominantly female groups must be compared with that of positions in predominantly male groups, using a common standard and taking into account the four factors specified in section 11 of the Act: responsibilities, skills, effort and working conditions. The government must comply with its own legislation. In addition, a Canadian Human Rights Tribunal has decided that a gender-neutral job evaluation system is required by the Act. Given that requirement and the Tribunal's decision, the government

decided to develop a single universal standard capable of comparing positions across different groups.

22.21 Gaining stakeholder participation and acceptance at each stage would prove to be a complex and time-consuming endeavour for the Treasury Board Secretariat. The project involved 16 different unions, each representing the specific interest of a different part of the public service.

22.22 Compensation rates, market forces, and supply and demand of certain skill sets outside the public service may also affect the ability to reach a consensus and may not always reflect internal equity. The Treasury Board Secretariat must work to find an acceptable solution that takes into account pay equity requirements, internal equity, market forces, and affordability — difficult challenges to reconcile.

Focus of the follow-up

22.23 This chapter discusses our follow-up of the audit we reported in May 1996, Chapter 5. We assessed the extent to which the Treasury Board Secretariat has implemented our recommendation dealing with the development and validation of the Standard. The chapter examines the development of the Standard, its important components, the methodologies developed by the Secretariat, and the application of the Standard in departments and agencies up to September 2000.

22.24 Our follow-up work does not cover the other recommendations we made in 1996, on the issue of cost and on the simplification of the job evaluation system and the occupational group structure. We note, though, that in replacing 70-odd existing standards, the new single Standard represents a considerable simplification of the classification process.

22.25 In the process of developing the Standard, since 1996 the Secretariat has sought the advice of the Canadian Human Rights Commission on the application of the *Canadian Human Rights Act*. The Canadian Human Rights Commission has also been investigating the extent to which the Standard is gender-neutral. We therefore excluded the Standard's gender neutrality objective from the scope of our chapter, relying instead on the Commission's work and opinion.

22.26 This chapter focusses mainly on the validity, reliability and universality of the Standard; its testing and application and the development of supplementary tools were still under way as we were writing. Further details on the objectives and scope of our work are presented at the end of this chapter, in **About the Follow-up**.

Observations and Recommendations

22.27 The Treasury Board Secretariat has made major progress in implementing our 1996 audit recommendation on the development of the Universal Classification Standard for the federal public service. Despite problems along the way, the Secretariat has set up a process for developing the Standard that is ordered, systematic, and significantly more exhaustive than was the process prior to 1996. The major phases of the project are outlined in Exhibit 22.1.

Despite problems along the way, the Secretariat has set up a process for developing the Universal Classification Standard that is ordered, systematic, and significantly more exhaustive than was the process prior to 1996.

Some Challenges Impacted the Project Throughout

Changes in leadership and staff during the project brought some constraints

22.28 Since 1996, the project has seen successive changes in leadership: two Secretaries of the Treasury Board, three Chief Human Resources Officers, and two Assistant Secretaries in charge of the project. At other levels, staffing has

Exhibit 22.1

Major Phases and Key Activities of the Universal Classification Standard

Design Development

- Work information gathering: November 1996 to December 1997
  - Samples of 737 positions
- Design development and informal testing of the Standard: January to August 1998

Validation of the Standard

- First validation of the Standard version 1.0: July to December 1998
  - Sample: 5,000 positions across 56 departments
  - Writing and evaluating job descriptions of these 5,000 positions in departments
  - Qualitative and quantitative analyses
- Revision of the Standard version 1.0 and release of the Standard version 1.1: January to April 1999
- Second validation of the Standard version 1.1: April to July 1999
  - Evaluation of the same sample of 5,000 work descriptions (some revised) in a controlled environment
  - Qualitative and quantitative analyses
- Revision of the Standard version 1.1 and release of the Standard version 2.0: July to October 1999
- Application of the Standard to all positions in the public service: ongoing since August 1999

Quality Assurance Initiatives

- Development of an analytical framework to improve quality: January and February 2000
- Workshops with departments to ensure the consistent application of the Standard: February to May 2000
- Release of supplementary technical bulletins and guides: July 2000
- Audit of work descriptions of 1,000 positions: September 2000 – ongoing
- Qualitative assessment of application of 1,000 positions: October 2000 – ongoing
- Periodic assessment of the Standard's application: to come

Development of Preliminary Weights

- Development of weighting tools and scenarios: June 1999 to December 1999
- Release of preliminary weights: February 2000
- Impact analyses of the preliminary weights: ongoing

Transition

- Conversion planning
- Development and implementation of communication and change management strategies
- Compensation policy and pay structure
- Collective agreements
- Conversion

Source: Treasury Board Secretariat documentation

been largely by secondment, with significant turnover on the core team. With changing staff came different views on what constituted a reasonable and satisfactory standard. This added complexity to the project's management and led to numerous changes in the schedule.

Funding process did not follow normal processes for projects of this size

22.29 The funding process followed for the development of the Standard did not sufficiently take into account the size, complexity and importance of such a project. As with other major projects like Modernization of Comptrollership and the Financial Information Strategy, we expected that adequate funds would be granted to departments and the Secretariat to properly deliver this project. The Treasury Board Secretariat established a "loan" fund of some $60 million to help departments with the costs of training, writing work descriptions, and evaluating jobs. However, departments that used this funding have to pay it back within three years. Departments have largely had to fund the project from their existing budgets and resources. Since the project has taken longer than anticipated and involved significant time and effort of line managers and employees as well as human resources staff, its financial impact to date has likely been underestimated and will be difficult to account for accurately.

22.30 In our opinion, the approach to funding this project has represented an ongoing risk to its successful completion. The scope of our follow-up did not allow for auditing the full costs of developing and validating the Standard and applying it in departments. However, the Secretariat has told us that the direct incremental cost of the organizational unit at the Secretariat who developed the Standard has been about $20 million since 1996. Some 40 departments of various sizes have reported costs that total some $35 million up to June 2000.

Timelines that proved to be unrealistic have compromised progress

22.31 From the start, the Treasury Board Secretariat imposed on itself a schedule that greatly underestimated the nature and complexities of a project like the development of the new Standard, which it planned to have ready by 31 March 1999. The Canadian Human Rights Commission has expressed concern to the Secretariat since early 1998 about the pace at which aspects of the Standard have been developed and applied.

22.32 Throughout the project, and as we were writing this chapter, the tight deadlines have caused departments major difficulties in evaluating positions, as they tried to avoid compromising the quality of the results while meeting the deadlines.

An uneven consultation process

22.33 One of the difficulties in developing the Standard has been the varying degrees to which stakeholders have been consulted, particularly employee unions and the Canadian Human Rights Commission. From late 1995 until early 1998, the Treasury Board Secretariat held meetings with all stakeholder groups together, and their participation and co-operation made it possible to consider their concerns and advance the project effectively. In mid-1998, however, when the initial design was complete and the project was moving to the next phase, the Secretariat considered that this process was no longer effective and it reduced the level of consultation to separate meetings with each stakeholder group. The Secretariat has stated that the same topics were covered in its meetings with every stakeholder group. However, we believe that the change to separate meetings left each group with no confidence that it had a grasp on all facets of the project and unaware of the concerns of other stakeholder groups. It also left stakeholder groups with questions and concerns about the transparency of decisions. Since

In our opinion, the approach to funding this project has represented an ongoing risk to its successful completion.

Given the risks and the potential implications for the Standard's chances of success, we told the Secretariat in October 1998 that we were concerned about the project's tight timelines and the reduced level of consultation.

mid-1999, however, consultations have improved and have been more open.

We advised the Secretariat of our concerns in 1998

22.34 Given the risks and the potential implications for the stakeholders' co-operation, the project's viability, and the Standard's chances of success, we formally expressed our concerns to the Secretariat in October 1998 about, for instance, the project's tight timelines and the reduced level of consultation. The Secretariat responded that it believed the change in consultation was appropriate, given the stage the project had entered, but indicated that it recognized the need for subsequent consultation. In our view, the Secretariat's decisions seemed to be guided mainly by its desire to meet the 31 March 1999 deadline for converting all positions to the new Standard. As experience later demonstrated, the timelines were unrealistic, and full consultation was critical for the project to proceed smoothly.

Improving the Standard's Design

The Secretariat followed an exhaustive method of data collection

22.35 To ensure that the Standard could measure the value of all work done in the public service, the Secretariat needed a very good understanding of the breadth of that work. This understanding was critical to determining the elements the Standard would need to be universal, and the scales needed to measure their value. The Secretariat designed two samples of positions to collect information about the current work in the public service, based on criteria intended to reflect the wide diversity of positions and to take into account the requirements of the *Canadian Human Rights Act*.

22.36 The two samples comprised a total of 737 positions that, according to the Secretariat, reflected a combination of key jobs and positions of various types. The Secretariat considered that they provided a good illustration of the variety of work in the public service while also taking into account positions held predominantly by males and those held predominantly by females.

22.37 The final composition of these two samples resulted in part from a consensus negotiated among various stakeholders. This approach to defining the samples, while reflecting the Secretariat's desire to meet stakeholders' expectations, was an approach based on judgment and we would expect the Secretariat to have taken into account the risks of using a sample arrived at in this way. While the sample covered a wide range of jobs, the documentation we reviewed did not show to what extent it covered the full range, or which jobs were left out. Given that its design was based on these samples, we did not have sufficient assurance to conclude that the new Standard could capture and evaluate all job content in the public service. In response to our concerns, the Secretariat told us it would remain diligent and would capture the missing job characteristics, if any, during the next stages of the Standard's development.

In 1996-97, the Secretariat established a rigorous method and several quality control mechanisms for collecting comprehensive, valid and reliable information on a wide range of job content.

22.38 In 1996-97, the Secretariat established a rigorous method and several quality control mechanisms for collecting comprehensive, valid and reliable information on a wide range of job content. The data collection method was tested first in a pilot project to verify the effectiveness of the collection tool itself, the collection process, and the training kit for those who would be collecting the data.

22.39 The Secretariat interviewed the incumbents of 737 positions in two samples, at 114 work sites across Canada. During this phase, the Secretariat set up quality control mechanisms to ensure that the information supplied by the

incumbents was up-to-date and complete, and reflected the actual work.

The new information was used to improve the Standard's design

22.40 Working with departments, unions, and consultants who were specialists in job evaluation, the Secretariat conducted a critical review of all components of the version of the Standard we had audited in 1996. It continued to improve the Standard's design, using the results of its review and the analysis of the data collected on job content. Several versions of the Standard were produced, each with successive in-depth modifications to both its design and its components.

22.41 Between February and mid-May 1998, the Secretariat conducted informal tests of the modified Standard in a small sample of about 250 jobs in seven departments that had volunteered to participate. The Secretariat used the results as a basis for a number of changes. It also decided that it was time to undertake a formal validation in a sample of positions throughout the public service.

Validating the Standard was the weak link

22.42 The objective of validating the Universal Classification Standard was to verify its validity, reliability, universality and gender neutrality when applied to a representative sample of jobs in the public service. Given the scope and complexity of the task and its impact on the success of the project, we looked for indications of the level of accuracy, reliability and validity in the job evaluation results that departments and agencies provided to the Secretariat to validate the Standard. We expected that the data used for validation purposes were up-to-date and met the requirements of the Secretariat's guidelines.

The 5,000-position sample used for validation had serious limitations

22.43 We expected that the Secretariat would have developed a methodological framework that described the assumptions underlying the sampling, recognized the limits of the sample and, where necessary, determined the impact of those limits on the analysis of the job evaluation results. We saw only limited documentation of the sampling approach. The Secretariat could provide information on the size, general characteristics and purposes of the sample but not on the assumptions used in sampling and their impact.

Several versions of the Standard were produced, each with successive in-depth modifications to both its design and its components.

22.44 In March 1999, following its assessment of the appropriateness of the sampling method, Statistics Canada concluded that the sampling method was essentially based on judgment and had produced a sample that could not be shown to be representative of the full diversity of jobs in the public service; and that analyses based on such a sample could be misleading. Some officials of the Secretariat concurred.

22.45 The sample contained some 2,700 different jobs, accounting for some 5,000 sampled positions. The most common and key jobs were selected in large numbers. This, in effect, limited the diversity of the positions in the sample, resulting in reduced assurance that it represented the full range of work characteristics in the public service. We agree with Statistics Canada that the results of validation based on such a sample cannot be extrapolated in a statistically reliable way to the current public service positions. At a minimum, decision makers should understand the limitations of these samples in their deliberations.

Statistics Canada indicated that the results of validation of the selected sample of positions could not be generalized to all current public service positions.

The Secretariat guides and methodologies reflect the state of the art

22.46 The May 1998 Standard, Version 1.0, was the first version validated. To ensure that departments would apply its Standard as consistently and precisely as

possible, the Secretariat provided a number of tools for them to work with the Standard and become familiar with it. For example, it developed methodology guides to enable departments to write their work descriptions and evaluate them in accordance with the intent of the elements in the Standard. It also developed a methodology for developing model work descriptions to speed up the exercise and provide for consistent descriptions and evaluations of similar or identical positions across departments. These tools are based on best practices and reflect the state of the art in job evaluation.

The Secretariat gave departments and agencies a project management framework that identified critical success factors and performance indicators.

22.47 The Secretariat gave departments and agencies a project management framework that identified critical success factors and performance indicators. It also provided sources of information from which both the departments and the Secretariat could verify the way they carried out and managed the exercise.

22.48 The Secretariat also set up an organizational infrastructure to give departments the necessary support for applying the Standard and to follow the progress of the job evaluation exercise. Training and information sessions were held for a number of participants. In order to obtain valid and reliable data, the Secretariat made it compulsory for departments and agencies to apply its methodologies and procedures in the validation.

The Secretariat counted on a sound validation process in departments to guarantee adequate results.

Conditions in departments were not conducive to successful validation

22.49 We visited eight departments and examined the way they evaluated their positions from March 2000 to the end of September 2000. Our interviews and our review of documentation revealed the following:

- In some departments we visited, senior management gave hesitant support to the application of the new job evaluation system because of the prevailing scepticism about the viability of the project and the new values embodied in the Standard.
- Most of the departments we visited were not ready to apply the Standard during 1998. For instance, some departments and agencies had not reviewed the classification of their positions to make sure it was valid before using the Standard. Nor had they checked the accuracy of their classification data banks and identified all generic jobs to reduce the workload in writing job descriptions. As a result, some departments had difficulty applying the Standard while at the same time making sure the classification status of their positions was current.
- The timetable imposed on departments caused them serious problems and compromised the quality of the data bank on which the Secretariat based its analyses:
  - Many departments were unable to offer all the necessary training in writing work descriptions and evaluating positions.
  - In many cases, the work descriptions were not reviewed by supervisors and employees to ensure that they were accurate and complete.
  - Most departments we visited were unable to review the position evaluation results systematically for consistency and accuracy before sending them to the Secretariat.
  - A number of departments deplored the fact that the timetable underestimated the learning curve needed to master the Standard.

22.50 Testing a new job evaluation plan of this scope in so many organizations requires a structured, well-defined framework. The Secretariat provided such a framework that outlined expected results. In reviewing the progress reports,

we noted that departments described the activities, processes and procedures they had set up but not the extent to which they achieved the desired results. The Secretariat counted on a sound validation process in departments to guarantee adequate results. In our opinion, the Secretariat needed to take additional monitoring steps to ensure that position evaluation results were reliable.

Results of the evaluation of the 5,000-position sample were not reliable

22.51 We learned in our interviews conducted from March to the end of September 2000 that, to the best of their knowledge, departments generally had applied the Secretariat's directives and methodologies in writing work descriptions and evaluating jobs. However, evaluation committees in several of the departments we visited reported that some job descriptions they had evaluated were incomplete or of poor quality. All departments we visited indicated that the results of the 5,000 positions they sent to the Secretariat could not be considered reliable or accurate and required extensive review.

22.52 In December 1998 the Secretariat conducted detailed analyses of several aspects of the Standard, without full knowledge of the poor quality of data from departments. In our opinion, this first validation exercise had important limitations and could not be used to demonstrate adequately that the Standard was universal. However, we observed that the Secretariat used the results of these analyses to improve the reliability and validity of several elements in Version 1.0 of the Standard.

22.53 The Secretariat introduced corrective measures in January 1999, targeting the aspects of the Standard that presented the greatest difficulties. It significantly revised seven elements of the Standard and produced supplementary guidance on its application. A new version of the Standard, Version 1.1, was published in March 1999.

The Standard benefited from a second validation

22.54 It is considered best practice to undertake several validations in order to obtain sound results. The Secretariat carried out a second validation to verify whether the changes incorporated in Version 1.1 of the Standard had improved its reliability. That is, could the Standard be interpreted and applied consistently in a number of different situations across the public service?

22.55 The second validation was deliberately conducted in a central and controlled environment, with the participation of 250 managers and employees selected for their sound knowledge and their experience in using the Standard. Experts on the Standard and on gender neutrality were available on-site to provide clarification, when necessary. While the profile of the people selected and the support provided were appropriate to test the validity of the Standard — whether the Standard measures what it is supposed to measure — it was not adequate for testing the Standard's reliability. This type of ideal environment, not representative of the normal environment of the public service, would likely remove factors that could negatively affect the reliability of the Standard and could skew the validation results.

22.56 The second validation used the same 2,700 jobs accounting for the 5,000-position sample with work descriptions that had had a number of deficiencies. Although departments said they had the opportunity during the second validation to revise those work descriptions, all incumbents and their managers could not verify their accuracy and completeness. In addition, the departments themselves were still learning the Standard.

22.57 The Secretariat performed a thorough qualitative and quantitative

All departments we visited indicated that the results they sent to the Secretariat for the 5,000-position sample could not be considered reliable or accurate and required extensive review.

Some departments were concerned about the consistency and reliability of interdepartmental ratings.

analysis of the revised evaluation results, using outside consultants, to assess the universality of the Standard Version 1.1. This led to added minor improvements, and Version 2.0 was released (Exhibit 22.2).

22.58 In March 1999, the Secretariat considered that the Standard was not perfect but was "good enough" to be released, given that most of the planned "functionality" had been tested and proved to be working. In August 1999, the Secretariat said it had strong evidence to indicate that the Standard had achieved its objectives of universality and gender neutrality. In our opinion the Secretariat could not demonstrate this convincingly, given the weaknesses of the 5,000-position sample, the poor quality of the data and work descriptions, and the "ideal test bed" in which the second validation was conducted. In our opinion, based on the work the Secretariat had done, it should have more strongly qualified its statement and not concluded that the Standard met the objectives.

In our opinion, based on the work the Secretariat had done, it should have more strongly qualified its statement and not concluded that the Standard met the objectives.

22.59 In September 2000, the Secretariat did qualify the results of the validation more prudently. It indicated that the Standard was a vast improvement over previous classification systems and that it had significantly improved reliability while reinforcing the design goals of universality and gender neutrality.

Improving the Application of the Standard

The Secretariat developed a rigorous and exhaustive model for analyzing the evaluation results, and it undertook activities to improve the quality of application.

Additional quality assurance measures after validation

22.60 In reviewing position evaluation results submitted up to January 2000, the Secretariat and departments noted several potential anomalies. The Secretariat developed a rigorous and exhaustive model for analyzing the position evaluation results, and it undertook activities to improve the quality of application of the Standard. The goal was to diagnose the causes of the potential anomalies and decide on appropriate corrective action.

22.61 According to the Secretariat's records, about half of the departments and three unions participated in workshops offered by the Secretariat and designed to review some 30 occupational groups. Following the workshops, the Secretariat issued further technical guidance to clarify the Standard and provide for its consistent interpretation. In our opinion, the Secretariat needs to consider expanding this process to the remaining occupational groups, given that the objective is universality.

Departments took seriously the need to improve the quality of the position evaluation results

22.62 Our interviews with departments, our review of the files showing how the Standard had been applied after the evaluation of the 5,000-position sample, and the responses to our short questionnaire administered in September 2000 showed increased efforts to pursue and improve the application of the Standard. For example:

- In most cases the training activities were continued.
- Most departments told us they had applied the methodologies developed by the Secretariat to write and evaluate work descriptions. Some said they had developed other tools, adapted to their own needs, that had not necessarily been validated by the Secretariat. But they considered that in doing so they had observed the same principles.
- Although the level of mastery of the Standard has improved, interpreting it consistently in departments is a constant challenge because of the high turnover among members of departmental evaluation committees.
- All departments told us that because of the many changes to the Standard and the anomalies that surfaced, they have carried out a critical review of the work

Exhibit 22.2

Factors and Elements of the Universal Classification Standard 2.0

Responsibility Factor **measures responsibility for people, ideas, and things.**

Elements:

1. ***Information for the Use of Others*** measures the extent and impact of responsibility for information that is used by others.
2. ***Well-being of Individuals*** measures direct responsibility for supporting the health and development of individuals and for helping them to function better in their environment and in Canadian society. This responsibility includes protecting them from harm and providing for their welfare.
3. ***Leadership of Human Resources*** measures responsibility for leading people who are working to achieve the goals of the Public Service of Canada.
4. ***Money*** measures responsibility in the work for the stewardship and comptrollership of financial resources. The responsibility falls into three areas: planning and controlling, acquiring funds, and spending funds. The element values these responsibilities according to the worker's latitude to take action and make decisions within the federal policies, guidelines, and regulations that govern the management of funds.
5. ***Physical Assets and Products*** measures direct responsibility for the custody, use, production, maintenance, repair, protection, and disposal of physical assets used, and products created, in doing the work. It also measures responsibility for making arrangements for facilities, equipment, and materials for conferences and events. Both purpose and impact are measured.
6. ***Ensuring Compliance*** measures the responsibility in the work for making decisions about compliance with government-accepted standards, guidelines, regulations, and legislation and for taking appropriate action to foster and enforce such compliance.

Skill Factor **measures what employees need to know or be able to do in order to perform the assigned work.**

Elements:

7. ***Job Content Knowledge Application*** measures the depth and breadth of the knowledge required to perform the work. Knowledge includes concepts, methods, practices, principles, procedures, processes, techniques, and theories. Knowledge can be acquired through training, education, or experience, or it can be the result of a natural ability.
8. ***Contextual Knowledge*** measures the degree to which the work requires knowledge of people, organizations, external circumstances, and legislation and regulations.
9. ***Communication*** measures the skills required in the work to convey and receive messages. Both communication in (receiving) and communication out (conveying) are measured.
10. ***Motor and Sensory Skills*** measures the proficiency that the work requires in controlling body movements and in using the senses to make distinctions.

Exhibit 22.2 (cont'd)

Effort Factor **measures the mental and physical exertion required by the work.**
Elements:
11. ***Intellectual Effort*** measures the mental exertion associated with solving the problems encountered in the work. Both intensity of effort and constraints on resolving problems are measured.
12. ***Sustained Attention*** measures the effort required by the work to focus one or more of the senses. It also measures the sensory effort to remain attentive, sometimes to things that do not appear to be changing. Both intensity of effort and degree of distraction are measured.
13. ***Psychological/Emotional Effort*** measures the mental exertion required to cope with psychologically demanding work. Both intensity of effort and degree of control are measured.
14. ***Physical Effort*** measures the amount of physical exertion required by the work. It recognises the effort involved in both movement and stillness. Both the intensity of effort and duration (amount of time) are measured.
Working Conditions Factor **measures the physical and psychological conditions under which the work is performed, and their potential effects on the health of employees.**
Elements:
15. ***Work Environment*** measures the exposure to disagreeable psychological and physical work environments. Both the psychological environment and the physical environment of the work are evaluated.
16. ***Risk to Health*** measures the exposure to unavoidable mental and/or physical risks or hazards to health resulting directly from the performance of work. This element captures only those risks remaining after the application of normal safety precautions.

Source: Universal Classification Standard, UCS 2.0, Factors and Elements, Treasury Board of Canada, Secretariat, October 1999.

descriptions written and the position evaluation results since validation began.

- Departments took into account the supplementary guidance that the Secretariat provided for interpreting the Standard. In response to our questionnaire, all departments said they have used the tools the Secretariat provided between February and August 2000, even though they arrived late in the review process. According to departmental representatives, in September 2000 there was still a lot of work to be done to integrate the changes required by the supplementary guides.

- In September 2000, the majority of departments we visited indicated varying degrees of satisfaction with the quality of their work descriptions and the accuracy of the evaluation of positions they consider finalized. The others preferred not to express an opinion but described the measures they have put in place to ensure sound results. Some departments were concerned about other issues, such as the consistency and reliability of interdepartmental ratings.

- All but two of the departments we visited believed that the quality control mechanisms they have put in place over recent months provide them with a high level of assurance that the position evaluation results they consider finalized are valid and reliable.

Departments call the Universal Classification Standard a promising job evaluation tool

22.63 We asked each of the departments we visited to indicate, based on the knowledge and experience they acquired in using the Standard, if this job evaluation tool had enabled them to value all positions. The six departments that responded directly to this question replied in the affirmative. They said that the Standard can properly value the full range of work in the department. The other two departments made no direct assessment. Some departments expressed concerns about the value of some specific jobs under the Standard and the compensation offered in the external labour market.

The Secretariat is taking further steps to ensure the Standard's adequate application

22.64 In our interviews with all stakeholders, including the Canadian Human Rights Commission, and in comments received from some unions, a concern has emerged about the ability of the Treasury Board Secretariat to demonstrate that departments have adequate quality control mechanisms in place and have applied the Standard appropriately and produced valid position evaluation results.

22.65 As we were writing this chapter, the Secretariat had already started initiatives to ensure the Standard's adequate application. For instance, the Secretariat commissioned an audit of work descriptions of 1,000 positions. The audit is intended to examine the apparent degree to which departments have adhered to the Secretariat guidelines and also to assess the position content validity of the work descriptions. In addition, the Secretariat was developing a methodology for a qualitative assessment of the Standard's application; this was in the preliminary stages. This is aimed at examining the consistency and appropriateness of the Standard's application within particular occupational groups.

22.66 In our opinion, it is critical for the Secretariat to have confidence in the quality of position evaluation results with the Standard, for all occupational groups.

22.67 The Secretariat is also planning to perform periodic assessments of the Standard's application in departments. These assessments are intended to identify, through quantitative analyses, indicators of the adequacy or potential anomalies of the position evaluation results before the conversion. The Secretariat is planning to conduct further qualitative analyses based on these indicators.

The Secretariat commissioned an audit of the work descriptions for 1,000 positions.

An opportunity for the Secretariat to demonstrate to what extent the Standard achieves its objectives

22.68 The Secretariat's initiatives we have described are necessary and relevant to fill the gaps identified by the two validation exercises. In our opinion, the Secretariat has a great opportunity to conduct robust testing and to demonstrate convincingly to stakeholder groups the extent to which the Standard meets its objectives.

The Secretariat has a great opportunity to conduct robust testing and to demonstrate convincingly to stakeholder groups the extent to which the Standard meets its objectives.

Weighting the Standard's Elements

A preliminary weighting scheme was developed

22.69 In fall 1999, while the departments were evaluating positions, the Secretariat was developing the weighting scheme for the Standard.

22.70 Weighting is the percentage assigned to each element in a classification standard to establish the relative importance of all the elements in order to reflect the organization's objectives and values. These values must be free of gender bias in order to comply

with the requirements of the *Canadian Human Rights Act.*

22.71 Given the sensitive and subjective nature of the exercise, to establish the weighting the Secretariat set up an ordered and systematic process that enabled it to obtain the views of all the stakeholders, from various perspectives. For example, it created a forum for a group of current and former senior officials and employees where they could discuss the importance of each element in the Standard and then to establish the hierarchy of elements that they thought best reflected public service values. The design team also produced a ranking based on the intent of the Standard.

Converting the existing classification of positions to the new system will inevitably cause disruption, no matter how perfect the new system may be.

22.72 Based on interim data, the Secretariat then developed a number of scenarios for weighting the elements of the Standard to determine the hierarchy that would be most acceptable to all stakeholders. Initially, criteria for this decision included several variables, among them the requirements of the *Canadian Human Rights Act,* the impact of the position evaluation results on the organizational structure, and the degree of organizational disruption implied.

22.73 Through consultation with departments, unions and the Canadian Human Rights Commission, the Secretariat was trying to achieve a balanced scheme that would assign a value to all work in the public service, unlike the weighting scheme proposed in 1996.

22.74 The Secretariat recognizes that before approving a final weighting scheme, it must conduct the necessary analyses using current data that are reliable and accurate. It will do so once the departments have finished evaluating all their jobs. We would support this course of action.

The Challenges Ahead

Converting the existing classification of positions to the new classification system will be a critical challenge

22.75 Position classifications will be converted to the new classification system from an imperfect, outdated system designed on the basis of values and principles of work organization that are almost 40 years old.

22.76 Conversion means that all employees in the future will be able to easily compare the value of their positions, which they could not always do before. However, comparing the value of positions under the new Standard with their value in the existing system could produce misleading results. No one has a precise idea of the magnitude of errors and anomalies in the present classification of positions. The last internal audit of classification was performed over 10 years ago. Even then, many jobs were found to have been misclassified.

22.77 Converting the existing classification of positions to the new system will inevitably cause disruption, no matter how perfect the new system may be, and this is even more predictable in an organization the size of the public service. The Standard will introduce new values, and the results will lead to changes in the organizational hierarchy.

22.78 The conversion will involve costs that are difficult to determine now with any certainty. A number of issues that will affect the costs of conversion still need to be resolved, such as negotiations with unions and establishment of the pay structure. At present, we do not know if the Secretariat has a compensation policy that defines the relative importance of internal equity, external equity, individual or group performance pay or other pay incentives and defines the relationships among them. Establishing a compensation policy from the perspective of strategic human resource management will be a

critical and essential element in successfully implementing the new system.

Conditions for success

22.79 A lot of work has been done so far in departments to implement the Standard in order to convert their jobs to it. At the end of our follow-up in September 2000, we asked the eight departments we visited, and some unions, what they believed could be the Standard's key conditions for success. According to them, success would depend on conditions such as the following:

- due regard given to the results of the gender neutrality assessment of the Standard conducted by the Canadian Human Rights Commission, and the update and consolidation of all the tools developed by the Secretariat or specific occupational communities to ensure that the Standard is complete, free of gender bias and universal, and provides for consistent and adequate interpretation of all elements of the Standard;

- consultation and agreement with departments on the timelines needed to ensure that the work is done well. Several departments and unions believe they need more time, given the nature and the impact of such a project on the whole public service. Many indicated that there is still a lot of work to be done to ensure that positions evaluation in departments produces adequate results;

- monitoring by the Secretariat of the Standard's application in departments, and solid testing based on valid data to demonstrate persuasively the degree to which the Standard's objectives are achieved;

- ability of managers to demonstrate to employees that the Standard has been applied consistently in their department and across departments and for all occupational groups;

- determination of acceptable pay levels that enable departments to recruit and retain competent people, and minimization of the number of positions with salary protection upon conversion. This is needed to hold organizational disruption to a manageable level; and

- leadership by the Secretariat with a clear communications plan and strategy for managing change. This will help to enlist departments and unions in the critical buy-in of the new system and ensure that the impact on individuals and the organization is well understood.

22.80 We believe that the effective and efficient completion of the Universal Classification Standard project requires that reasonable and realistic financial resources be approved and allocated. We expect the Secretariat and departments to report the full cost of this project.

22.81 The Treasury Board Secretariat should continue to verify that the departments and agencies are implementing the Standard appropriately, that work descriptions are accurate and complete, and that evaluation results are valid and defensible. Departments should continue with diligence and on a reasonable timetable to evaluate or revise all of their job descriptions.

22.82 The Treasury Board Secretariat should perform all necessary analyses based on a valid sample and on accurate, up-to-date data to establish whether the Standard has reasonably achieved its objectives. If it has not, the Secretariat should take the necessary corrective measures.

Treasury Board Secretariat's response: *The Treasury Board Secretariat agrees with and accepts the recommendations in the chapter. Monitoring of departmental application results will continue. We are confident that our increasingly robust qualitative and quantitative testing methodologies will continue to reinforce confidence in the Universal Classification*

Among the key conditions for the Standard's success are determining acceptable pay levels that enable departments to recruit and retain competent people and minimizing the number of positions with salary protection upon conversion to the Standard.

Standard as a job evaluation plan that measures all work in the public service and appropriately respects the Canadian Human Rights Act. *This testing will also continue after implementation to ensure that the Standard continues to meet the needs of the public service as they change over time.*

Conclusion

22.83 The development of a new Universal Classification Standard has made a great deal of progress since May 1996. There is no doubt that as a job evaluation tool, the Standard is an enormous improvement over the existing classification system. The process the Treasury Board Secretariat has followed is significantly more rigorous than we observed in our 1996 audit.

22.84 The departments we visited strongly support the Standard. However, they recognize that they need to do more work to ensure that results are of good quality before they fully implement the new system.

22.85 In our opinion, the Secretariat needs to conduct further rigorous testing to demonstrate to stakeholder groups the extent to which the Standard has achieved its objectives. It needs to continue conducting thorough and systematic analyses, based on valid and reliable data.



About the Follow-up

Objectives

The objective of our chapter was to assess the extent to which the Treasury Board Secretariat has implemented our 1996 recommendation (Chapter 5, May 1996 Report) that addressed the development and validation of the Standard.

Our other 1996 recommendations for simplifying the job evaluation system and the occupational group structure were not covered by our follow-up.

Scope

We reviewed the important documentation used in developing and validating the design of the Standard and participated as observers in committees set up by the Secretariat at various stages of the project.

Between March and June 2000, we studied how eight departments had applied the Standard. We selected eight departments that differed in mission, size and composition. They represented about 40 percent of jobs in the public service and just over 80 percent of occupational groups. We held structured interviews and reviewed progress reports supplied by departments to the Secretariat, as well as other relevant documentation.

We also participated in discussions of technical and operating issues with such stakeholders as the Canadian Human Rights Commission (CHRC), the unions, and pay equity experts.

Finally, in September 2000 we used a short questionnaire to update our observations on the eight departments we visited.

Criteria

The criteria used in this audit took into account the government's objectives for the Universal Classification Standard and were drawn from the best practices in the field of job evaluation:

- the method used for collecting information on job content in public service jobs is valid, reliable, credible and free of bias, with appropriate quality control mechanisms to permit the collection of information on all significant job content, including work associated with women's work that is often overlooked;
- the sample of jobs used to gather information on job content is adequate and credible, with adequate gender representation;
- the various components of the Standard are reviewed to ensure that they can effectively capture and properly value all the significant job content found in the public service, including that associated with women's work. This should include ensuring that:
  - all components of the Standard are clearly defined and measure unique aspects of work to the extent possible;
  - the progression from minimum to maximum value in each element is clear; and

  - illustrations intended to assist raters provide a reasonable spectrum of job content, do not undervalue work performed by women and are consistent with the definitions and the desired progression in value;

- the weight allocated to each element is appropriately distributed to permit the valuation of all jobs, including work performed by women, on a fair and equitable basis while giving proper recognition to the objectives and values adopted for the public service and the reform; and
- thorough testing, on a valid sample, of the validity, reliability and gender neutrality of the Standard is carried out with adequate quality control measures and, if necessary, review and additional testing before implementation.

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Report of the Auditor General of Canada to the House of Commons – 2000

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Report of the Auditor General of Canada to the House of Commons

Chapter 23
Information Technology:
Acquisition of Goods and Services

December 2000

Report of the

Auditor General of Canada

to the House of Commons

Chapter 23

Information Technology:
Acquisition of Goods and Services

December 2000

This December 2000 Report comprises 18 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, October and December 2000 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 23

Information Technology

Acquisition of Goods and Services

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

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Information Technology

Acquisition of Goods and Services

Main Points

23.1 In auditing acquisition activities (procurement) for large information technology projects in the government, we found that two recent acquisitions followed some essential elements of a procurement approach and project management framework designed to improve large technology projects. The approach emphasizes the benefits to be derived from a project, rather than focussing on a specific solution to a business problem. Although both projects are still in the construction phase, they have progressed and delivered as planned. While full implementation and deployment of the new systems are not assured, the results to date are encouraging.

23.2 We found, however, that the acquisition activities still spanned 18 months or more. The government needs to improve the timeliness of those activities to adequately support its objective of putting government on-line by 2004.

23.3 We also examined the acquisition process for the routine supply of microcomputers, equipment for local area networks and software. We found that the government has yet to finish replacing its discontinued method of supply for routine, low-volume purchases of software licences and software solution services. As a result, user departments and agencies do not have a ready, prenegotiated means for low-value purchases of certain software products and services.

23.4 We also found that the replacement method as developed thus far is inadequate, and there is still a risk that the government will continue to acquire installed bases of software on a piecemeal and non-competitive basis. Where user departments and agencies have done so, the government can become vulnerable to the filing of complaints with the Canadian International Trade Tribunal in relation to contracts that extend the use of the software to the entire department or involve department-wide maintenance and upgrade of the software.

23.5 Acquiring software licences and software solution services appropriately continues to be a challenge. The government needs to consider a strategy for acquiring software as a technology investment.

Background and other observations

23.6 Our data analysis showed that the significant expenditures involved in the acquisition of information technology (IT) goods and services have been on the rise. We estimated that in 1998-99, spending on IT amounted to about $3.4 billion, including salary costs.

23.7 The method of supply for routine, low-volume purchases of microcomputers and products related to local area networks has merit and adds value to the acquisition process. Nevertheless, in our view there are opportunities for cost savings of about $10 million a year by taking more advantage of consolidated purchases.

23.8 Our audit looked at eight user departments and agencies. We conducted a test of their compliance with the procurement authority delegated to them. We found a few minor deviations but no indication of blatant or widespread misuse of delegated authority.

23.9 Recent determinations by the Canadian International Trade Tribunal (CITT) were the main reason for changing the standing offer method of supply for routine, low-volume purchases of software licences and software solution services. Moreover, even though CITT cases have been few, government users and the IT community have indicated that they have generated intense scrutiny of all technology acquisitions in government in order to

avoid potential complaints to the Tribunal. In our view, there is a need to better respect the government's contracting objectives — meeting operational requirements with due regard to value for money while also respecting the principle of open and fair competition by complying with government regulations and trade agreements.

The government is generally supportive of the recommendations contained in the chapter.

Introduction

Acquisitions are made in a highly complex environment

23.10 The acquisition or procurement of information technology (IT) goods and services in the government is a large and complex business. In recent years, the government has made major investments in information systems and technology to support the delivery of programs and services to Canadians. Its acquisitions range from small volumes of low-cost goods to large purchases for multi-year development projects that integrate IT goods and services from different suppliers.

23.11 Unlike the private sector, the government must follow many rules and regulations in its acquisitions, including its purchases of IT goods and services. Principal among them are the contracting policy, the Treasury Board Contracts Directives, the Government Contracts Regulations (pursuant to the *Financial Administration Act*) and the Supply Manual.

23.12 The Treasury Board Secretariat is responsible for the government's contracting policy. Public Works and Government Services Canada (PWGSC) acts as the contracting authority for most government acquisitions and is in charge of the Supply Manual — the procedural manual for its supply activities. Government acquisitions are also subject to multilateral and federal-provincial trade agreements: the *North American Free Trade Agreement*, the *World Trade Organization–Agreement on Government Procurement,* and the *Agreement on Internal Trade*. The Canadian International Trade Tribunal, an administrative tribunal, conducts inquiries into complaints by potential suppliers about government procurement actions, where they are covered by the trade agreements.

23.13 The contracting policy states:

> The objective of government procurement contracting is to acquire goods and services and to carry out construction in a manner that enhances access, competition and fairness and results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people.

Policy statements further underscore the pre-eminence of operational requirements; the ability to withstand the test of public scrutiny; support for industrial and regional development and other appropriate national objectives; and compliance with the government's obligations under trade agreements.

23.14 At the user level, buying IT goods and services can involve several groups of staff in a government department. The acquisition process generally involves the users — program managers with operational needs to be met — and those IT staff who have knowledge of and expertise in technology matters as well as those who may be affected directly by the acquisition of a particular technological solution. It may also involve corporate services staff engaged in materiel management or representing the department's contracting authority. In departments where operations are highly decentralized, additional groups may be involved.

Users sometimes find themselves with problems whose solutions are difficult to anticipate or fully understand at the time of procurement.

23.15 The government's procurement environment, already complex and involving many stakeholders, is complicated further in the field of information technology. Information technology evolves at a very rapid pace. New products and technological solutions are constantly being developed. Users sometimes find themselves with problems whose solutions are difficult to anticipate or fully understand at the time of procurement. Moreover, current acquisitions often involve major investments and can have significant

implications for choices of technology in the future.

23.16 In this complex environment, the government is challenged to meet operational needs with a solution that provides best value while enhancing access, competition and fairness in its IT procurement activities.

Focus of the audit

23.17 The objective of our audit was to assess the extent to which IT acquisitions in the federal government meet policy objectives while giving due regard to efficiency and economy.

23.18 The audit focussed on the acquisition process and activities for large IT projects and for the routine supply of microcomputers, equipment for local area networks, and software. As it is discussed in this chapter, the process starts when users identify an operational need and ends when a contract has been awarded and any challenges to the award have been resolved.

23.19 We analyzed data on IT expenditures to understand the extent and the nature of IT acquisitions in government. We reviewed the processes, methodology and tools that have been established to facilitate IT procurement activities, and we looked at procurement cases that demonstrated their use.

23.20 We conducted interviews at the Treasury Board Secretariat, PWGSC, the Canadian International Trade Tribunal and eight departments and agencies, where we also examined cases of IT acquisitions to support and illustrate potential issues. We examined several IT acquisitions that had resulted in challenges before the Canadian International Trade Tribunal.

23.21 Further information about the audit objective, scope and criteria can be found at the end of the chapter in **About the Audit**.

Observations and Recommendations

Analyzing Information Technology Expenditures in Government

Government-wide data are not available

23.22 To better understand the acquisitions of IT goods and services, we asked for information on IT expenditures incurred by the government. From our discussions with the Treasury Board Secretariat and Public Works and Government Services Canada, we learned that data are not specifically coded as IT expenditures and thus are not aggregated. While the Secretariat annually reports on total contracting in government, no reporting on government-wide IT acquisitions is available. (The subject of contract reporting is addressed in Chapter 29 of this Report.)

23.23 In the absence of such information, we set out to analyze IT expenditures government-wide and by department as well as by type of goods and services acquired. Our analysis also included a general estimation of payroll costs in support of IT development and operations. The analysis spanned four fiscal years, from 1995-96 to 1998-99.

23.24 Based on expenditure data from the Public Accounts of Canada, we estimated a rough order of magnitude for IT-related expenditures other than payroll by using selective codes of economic object. To estimate IT-related payroll expenditures, we used portions of salary and employee benefit costs, by pay classification, from data provided by the Public Service Commission. We also sought input from the Treasury Board Secretariat in making our estimates.

23.25 Our estimation was conservative in nature. For example, we did not attempt to include expenditures coded for specialized work such as constructing

satellites or other highly sophisticated equipment, like weaponry systems.

23.26 Our analysis confirmed that IT expenditures are significant and rising. Exhibit 23.1 shows that IT expenditures increased from almost $3 billion in 1995-96 to about $3.4 billion in 1998-99, or by almost 14 percent. During the same period, spending on IT as a proportion of total budgetary expenditures for government operations increased from 8.6 percent to 10.1 percent.

23.27 Our analysis also showed that four departments, each with annual IT spending of more than $100 million, accounted for about 60 percent of the total expenditures on IT in the government. Departments and agencies with moderate IT expenditures (from $25 million to $100 million a year) accounted for almost 30 percent of the total. Exhibit 23.2 shows IT expenditures of departments and agencies by category of large, moderate or small amount spent in the past four years. In summary, about 20 departments with the highest spending on IT accounted for roughly 90 percent of the government's total IT expenditures.

23.28 We also set out to analyze IT expenditures by type of purchase, such as hardware, software, professional services, and telecommunication products and services. However, because departments and agencies were inconsistent in the way they applied economic object codes and coded their expenditures for large IT projects, it was not feasible to complete that analysis in a meaningful way.

Procuring Large Information Technology Projects

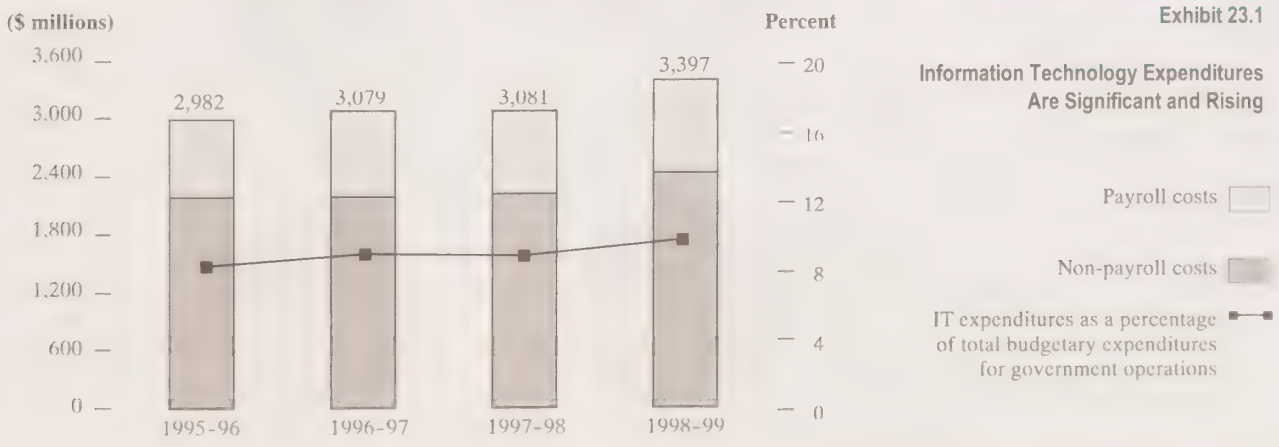
23.29 Large projects to develop information systems as business solutions often meet with failure to varying degrees, from not meeting business needs fully to not delivering and implementing the systems on time, to incurring excessive costs. This general observation was supported by our audits of government systems under development that we reported to Parliament in 1995, 1996 and 1997.

23.30 Past research has shown that there are a number of major factors that cause projects to fail. The acquisition phase and the related procurement activities are one such factor. At that time, the process of procurement for large IT projects typically resulted in multi-year, fixed-price contracting. The contracts would include detailed specifications and requirements, and the lowest bidder, based on a combined evaluation of technical merits and price, would be awarded the contract.

Information technology expenditures are significant and rising.

Exhibit 23.1

Information Technology Expenditures Are Significant and Rising



Source: Receiver General and Public Service Commission

New framework and approach developed to improve results

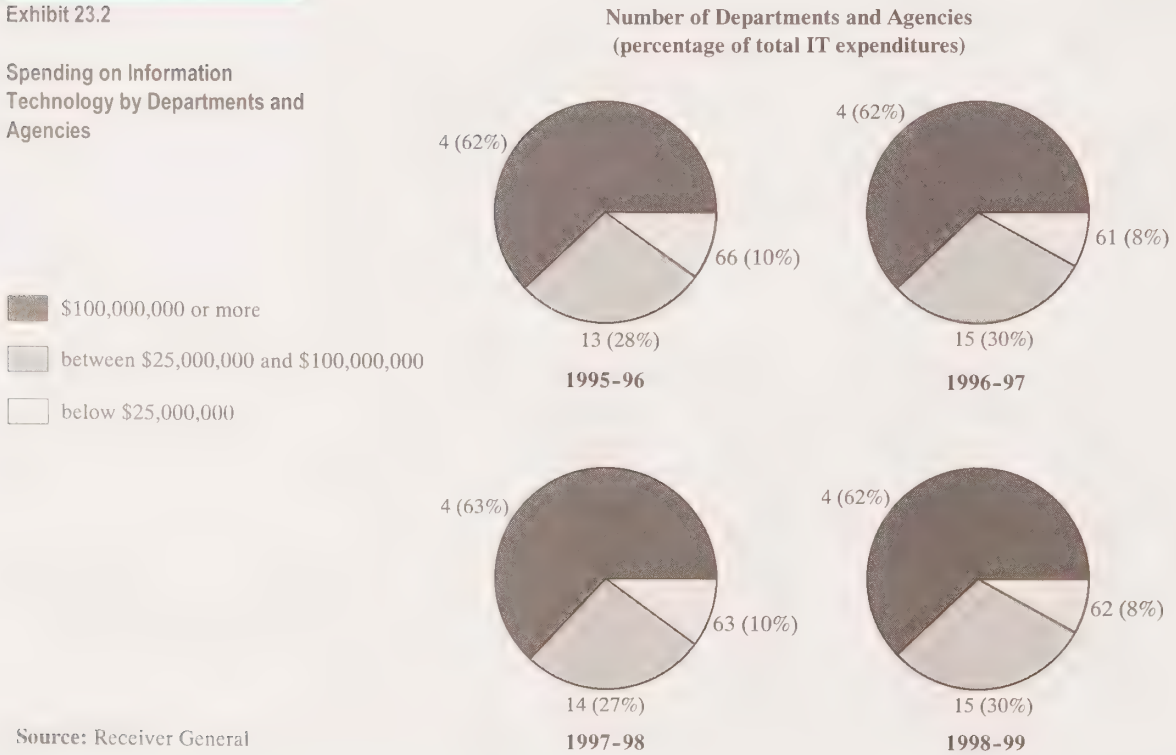
23.31 In 1996, PWGSC undertook to develop a new procurement methodology that would address some of the shortcomings of the existing approach to large and complex IT acquisitions. The Department collaborated with the Treasury Board Secretariat, representatives of user departments and agencies, and industry associations representing suppliers. In March 1997, PWGSC released the second version of the Benefits Driven Procurement (BDP) approach as a solution for the acquisition phase of large IT projects.

23.32 The BDP approach emphasizes the results and benefits to be derived from a project, rather than emphasizing a specific solution to a business problem. Thus, it focusses on making a strong business case. Instead of the detailed specifications and requirements of a solution, the approach highlights the benefits that the solution will provide. The project is delivered in phases that provide "off-ramps" — opportunities to halt the project, if appropriate. Compensation is based on performance, usually at the completion of defined tasks. In addition, BDP supports clear accountability by all parties to the contract, and sound project management disciplines that include rigorous identification and management of risk. Since its development, the approach has been recommended for use in procurements for large and complex IT projects.

23.33 The BDP approach is fully consistent with the Enhanced Management Framework (EMF) for managing large IT development projects. The Treasury Board Secretariat developed the EMF in 1995 to address weaknesses that we had identified in our audits of systems under development. The elements of BDP, such as the requirement for a strong business case with periodic updates and the emphasis on up-front planning, are also key elements of the Framework.

Exhibit 23.2

Spending on Information Technology by Departments and Agencies



Source: Receiver General

Few projects are available for review but new concepts are being used

23.34 With the development of the EMF and the BDP approach, we would expect current acquisitions for large IT projects to apply their essential elements.

23.35 We set out to identify large IT acquisitions made in the past few years in order to select a sample for review. However, meetings with officials of the Treasury Board Secretariat, PWGSC and the selected user departments revealed that except for two major initiatives, few large IT projects have been launched in recent years.

23.36 The Year 2000 computer problem was a top priority of the government for most of 1998 and 1999. Most systems development work was deferred in favour of remediation and testing of non-compliant systems and devices, especially those considered mission-critical. As a prudent measure, most departments, even after putting compliant systems in place, resisted making changes in their systems to avoid any risk that their computer environment would be non-compliant for Year 2000 as a result. At the same time, departments and agencies were also converting their financial systems or implementing new systems to meet the requirements of the government's Financial Information Strategy by its 2001 deadline. We have audited the Strategy in the past and will be conducting more audits of it in the future.

23.37 We focussed this audit on large IT projects that are using the concepts and elements of the newly developed approach and framework. Aside from IT work related to Year 2000 and the Financial Information Strategy, very few large IT projects have been undertaken in the last two years. Nevertheless, we identified two recent large IT acquisitions — Export and Import Controls System and Materiel Acquisition and Support Information System — and reviewed their acquisition phase. The Year 2000 omnibus contract has been cited as an example of another procurement strategy. We conducted a limited review of that procurement.

23.38 The Export and Import Controls System (EICS) project at Foreign Affairs and International Trade was designed to support the Department's control over export and import activities under the *Export and Import Permits Act*. It was intended to replace two existing systems that were becoming obsolete, and to provide interfaces with key stakeholders in industry and in other government entities.

23.39 National Defence had earlier made a number of attempts to optimize the availability of its equipment and weaponry systems. The Materiel Acquisition and Support Information System (MASIS) project in its current form is aimed at optimizing their availability throughout their life cycle. It is meant to provide an integrated environment for Canada's Air, Land and Marine Forces and the Department's administrative units, to replace the separate information systems that have managed and supported the military equipment and weaponry systems of each Force.

23.40 The "Year 2000 omnibus contract" was an initiative to ensure the availability of skilled technical resources for Year 2000 remediation, testing and implementation work. Under the initiative, seven contracts were awarded and they formed a supply arrangement for departments and agencies. The arrangement guaranteed an overall minimum business volume to the suppliers. The initiative initially applied only to work on systems that support government-wide mission-critical functions. It was later extended to cover systems that support departmental mission-critical functions. The supply arrangement was established for work on all mission-critical systems.

23.41 The two IT projects are in various stages of implementation. The Year 2000 contracts expired in June 2000. Exhibit 23.3 summarizes the acquisition phase for the two projects and provides selected information on the Year 2000 contracts.

23.42 **Developing a business case.** The business case is a cornerstone of successful implementation of large, complex IT projects. Developing a strong business case is at the core of the Benefits Driven Procurement (BDP) approach and is a key element of the Enhanced Management Framework (EMF). Both IT projects we looked at developed comprehensive business cases.

The business case is a cornerstone of successful implementation of large, complex IT projects.

23.43 The business case for the Export and Import Controls System (EICS) project identified the desired outcomes and benefits that the project was to deliver. It related those benefits to the mandate of Foreign Affairs and International Trade and to the program direction of the Export and Import Controls Bureau. The business case also contained an analysis of several potential solutions to the business problem, including their long-term costing implications. The rationale for the recommended solution was also documented.

23.44 The Materiel Acquisition and Support Information System (MASIS) project was supported by a business case that described the re-engineering challenge and the benefits of integrating information systems maintained at the time by separate Forces and administrative units. The business case has been reviewed as the project has developed, and adjustments have been made as appropriate. All "off-ramp" decisions, new tasks and changes in scope are governed by the business case. It is also the basis for assessing performance.

23.45 **Using a phased approach**. By breaking a project down into phases, the BDP approach provides checkpoints for deciding whether the benefits accruing to end users can no longer justify a further investment of resources. Both projects used a phased approach with successive off-ramps. In addition, both departments used the first phase of the project to develop the strategy for the business solution and to define the development and construction phase of the project. Both projects emphasized the overall benefits to be achieved, rather than defining detailed specifications and requirements at the outset.

23.46 For the EICS project, the Department contracted with a consulting firm to help prepare the request for proposals, including evaluation criteria. The project itself involved a definition phase and a construction phase. The contract for the definition phase ended in January 2000 with the successful completion of formal system requirements. The contract for the construction phase contains many tasks that are used as checkpoints, providing additional opportunities for either party to exit the contract if desired. Full deployment of the project is expected in April 2001.

23.47 For the MASIS project, National Defence began the formal acquisition process by releasing a draft request for proposal. The final request for proposal contained minimal functional specifications and it was expected that the IT industry would provide the solution. The contract for the first phase involved not only developing an overall system design and implementation plan but also replacing an obsolete system at the Department's workshop depot in Montreal with at least 30 percent of the functionality planned for the new system. The contract for the second phase deals with the construction and delivery of the full system. Deployment of the overall system involves incremental rollouts with off-ramps, and is expected to be completed by June 2004.

Exhibit 23.3

Acquisition Phase of Two Large Information Technology Projects and the Year 2000 Supply Arrangement – Summary

Milestone Activity	Materiel Acquisition and Support Information System • Integrated information system designed to enable the Navy, Army and Air Force to maintain and support their equipment and weapon systems more effectively • Based on commercial software and industry's best business practices in materiel acquisition and support processes • Expected cost $109.3 million	Export/Import Controls System • Control system to support the control aspects of trade agreements, quota allocation policy and ministerial permit issuance • Interfaces with exporters, importers, Customs brokers, and Canada Customs and Revenue Agency • Expected cost $6 million	Year 2000 Supply Arrangement • Professional services contracts made available to departments for the provision of Year 2000 remedial solutions for mission-critical systems • Set up with 7 firms to speed up and facilitate the provision of needed IT professional services • Budgeted for a minimum $100 million
Recommendation to develop a joint solution for all the Forces	October 24, 1994		
Request for proposal (for pilot project)	March 1996 (bids later rejected)		
Further consultations with industry and other countries	July to December 1996		
Decision to use Benefits Driven Procurement approach	January 19, 1997	Fall 1997	Fall 1997
Letter of interest or draft request for proposal, posted on MERX	March 1998	December 4, 1998	October 3, 1997
Request for proposal	June 26, 1998	January 27, 1999	November 7, 1997
Closing date	August 4, 1998	March 17, 1999	January 7, 1998
Supply arrangement contracts awarded to 7 firms			Early March 1998
First call-ups			June 1998
Completion			June 30, 2000
1st phase contract awarded:			
Initial solution	December 11, 1998		
Definition phase		May 25, 1999	
Completion	June 30, 2000	January 18, 2000	
2nd phase contract awarded:			
Full functionality solution	June 30, 2000		
Construction phase		December 24, 1999	
(Planned)			
Incremental rollouts with off-ramps	until April 1, 2004		
Final deployment		April 1, 2001	

Source: Department of Foreign Affairs and International Trade; National Defence; Public Works and Government Services Canada.

23.48 Establishing governance and getting senior-level sponsorship. Senior sponsorship and appropriate governance are key ingredients in successfully implementing large IT projects. We found aspects of both in the two projects that we reviewed. Moreover, there has been no turnover among the several senior officials who are responsible for the projects.

23.49 The Director General of the Export and Import Controls Bureau has served as the senior sponsor for the EICS project since the beginning. The project is guided by a steering committee, comprising senior departmental officials and a senior representative of the contractor firm. The respective roles and responsibilities of the Department and the contractor are stated in each of the two contracts.

23.50 For MASIS, the sponsor is a senior official of National Defence's Materiel Comptrollership and Business Management Directorate. The project manager is a senior officer of the Materiel Group and has been in that capacity since 1996. Internally, the project team reports to the MASIS Senior Review Board, which consists of senior staff from all three Forces, Defence Information Services, Logistics, and Engineering. An Executive MASIS Steering Committee oversees the project. The Steering Committee includes senior officials of all stakeholders — National Defence, PWGSC and the contractor firm.

23.51 Managing the project and related risks. Although it has not been identified as a key element of the BDP approach and the Enhanced Management Framework, an integrated team has been used to manage each of the two projects we reviewed. Integrated project management teams comprise staff of the department and consultants from the contractor firm. Use of the teams provides for flexibility and speed in making changes to advance the project or to mitigate risks.

23.52 The Integrated Project Management Office for EICS involves departmental officials with participants from the contractor firm. It is chaired by the project authority from the Export and Import Controls Bureau, and a senior official in the Department's Information Management and Technology Bureau is also a member. Each month, the Office updates a detailed risk analysis of the project and reviews the updated analysis to determine whether changes or additional actions are warranted. The contractor firm receives payment upon the successful completion of authorized tasks by the target dates. The contract also contains provisions for avoiding or resolving disputes.

23.53 In the case of MASIS, the requirement to use an integrated project team was stipulated in the Statement of Work for each phase of the project. In addition to providing for flexibility and quick action, the integrated team approach is expected to increase efficiency, improve communication and streamline management oversight. Like EICS, the MASIS request for proposal stated that a risk management plan was a requirement. Each phase of the project was broken down into a series of subprojects with defined tasks. Payments are subject to the successful completion of pre-authorized tasks. In addition to remedy clauses, the MASIS contracts provide for incentive conditions to be negotiated for superior performance.

Outcomes are not definitive but results to date are encouraging

23.54 Both EICS and MASIS are currently in the construction phase. Although full implementation and deployment are not assured, both projects have progressed and delivered as planned. At July 2000, they had met expectations on schedule and stayed within budgeted costs.

23.55 The first-phase contracts for the EICS and MASIS projects were

successfully completed and formed the basis for the work under the second-phase contracts. The deployment of EICS is expected in April 2001, as planned. For MASIS, by September 1999 the first-phase contract had provided systems capability for 30 percent of functional requirements at the Department's workshop depot in Montreal. With incremental rollouts, full deployment of the project is expected by June 2004.

23.56 The nature of the Year 2000 contracts differed from that of the two systems development projects. Its purpose was to ensure the availability of skilled technical resources. It did so using a supply arrangement that featured a guaranteed minimum of $100 million in contract work among the seven successful bidders. Through the supply arrangement, a user department could select directly from the seven prequalified contractor firms and have PWGSC solicit work plans from them. By June 2000, when it ended, the supply arrangement had met expectations in providing skilled contract resources. The full guarantee had been exercised and there had been virtually no system failures. We also noted an important benefit — it provided a streamlined procurement process for contracting technical resources and allowed for their rapid deployment. The application of this supply arrangement was unique. Yet it serves as an example that could be adapted to benefit future procurement activities.

23.57 Our examination of the two large IT projects showed that many essential elements of the Benefits Driven Procurement approach and the Enhanced Management Framework can work and produce results. Analyzing experience from two projects is not sufficiently conclusive, and both projects have yet to be completed to demonstrate full success. However, experience in both EICS and MASIS to date has been encouraging.

23.58 In our view, the emphasis on front-end planning was an essential element in the positive outcome of the two projects to date. Its merit goes beyond serving as guidance and recommended procedure. It ought to be required as a general practice in procuring and developing large IT projects. The front-end planning included:

- focussing on business needs, defined in terms of program mandate and business outcomes, and not on the solution;
- breaking the project down into phases and tasks;
- obtaining the commitment and ongoing involvement of senior management;
- establishing a governance structure; and
- involving PWGSC early in the development of an appropriate procurement strategy.

In our view, the emphasis on front-end planning was an essential element in the positive outcome of the two projects to date.

23.59 The Treasury Board Secretariat and Public Works and Government Services Canada should analyze the experience of recent acquisitions and specify the practices that they will generally require of user departments and agencies in large information technology projects.

Government's response: *Treasury Board Secretariat and Public Works and Government Services Canada support the recommendation. We will continue to support the application of appropriate Enhanced Management Framework and Benefits Driven Procurement practices to large information technology projects.*

Challenges remain in future procurement for large projects

23.60 We have noted some positive aspects of using the new procurement approach and the project management framework. However, there are issues that still need to be addressed.

23.61 Technology advances at a rapid pace. New products with ever-increasing

processing speed and capacity are constantly evolving. Moreover, the workplace changes continually, along with program requirements and operational needs. The longer it takes to acquire, develop and implement technological solutions, the higher is the risk that the business needs will change and the solutions become less beneficial and relevant. Long phases of acquisition and implementation also increase the risk that the acquired technology will become obsolete by the time it is deployed. Consequently, acquisition activities that require shorter time spans will add significant value to projects.

The longer it takes to acquire, develop and implement technological solutions, the higher is the risk that the business needs will change and the solutions become less beneficial and relevant.

23.62 We reviewed the chronology of activities of the two large projects and analyzed the time span of the acquisition activities. We found that they spanned periods exceeding 18 months. The EICS project needs were first analyzed in 1997 and the first phase contract was awarded in late May 1999. Prior to adopting the BDP approach, the need for MASIS had been identified and attempts had been made to develop it as early as 1994. The MASIS project in its current form was initiated in 1996 and its first-phase contract was awarded in December 1998.

23.63 The IT industry claims that processing speed doubles in 18 months, and it defines a Web year as three calendar months. Development and deployment of large IT projects are not expected to match this pace of change. However, the government still needs to find ways to reduce the time span of its acquisition activities in large IT projects.

23.64 In reviewing the procurement strategy for the Year 2000 omnibus contract, we noted that it provided an instrument for rapid deployment of contract resources, and its experience can benefit future procurement. But there are related factors that need to be considered when replicating this method of supply.

23.65 Year 2000 remediation was a unique project. The goal was to ensure that critical functions and operations would continue upon the arrival of 2000 and beyond. There was a degree of commonality in the resource requirements of user departments and agencies. That commonality facilitated the structuring of the supply arrangement. In large IT projects, there is no expectation of a natural tendency toward commonality. The challenge remains to define categories of technical resources for purposes of establishing a supply arrangement.

23.66 Another unique factor in the Year 2000 contracts was the cost. Since the purpose of the contract was to assure availability, successful bidders had to guarantee that they would make technical resources available if and when called upon. To retain staff who were in simultaneous demand worldwide, the rates of compensation and incentives had to reflect the North American marketplace for Year 2000 work. Consequently, contract rates were set at a premium and contractor firms were guaranteed a minimum of $100 million in work. As the government extends this procurement strategy to other acquisitions, rate negotiation will become an important factor in controlling costs and providing value for money.

23.67 Recent experience with acquisitions for large IT projects has been promising. However, the time entailed in the acquisition phase could become an impediment to the successful implementation of technology solutions that meet business requirements. The government needs to build upon the BDP approach to improve its acquisition activities, using the procurement process to advance and support large IT acquisitions.

23.68 The government should work with the information technology industry to further develop its procurement approach for large,

complex technology projects in a way that will improve its acquisition activities, particularly their timeliness.

Government's response: We support the recommendation and agree that we should work with industry to facilitate timely procurement for large and complex projects. We are currently doing so in pursuit of an optimal procurement strategy for the Government On-Line (GOL) requirements.

Acquiring Software, Microcomputers and Equipment for Local Area Networks

23.69 Standing offers are a procurement instrument used by PWGSC that allows user departments and agencies to order directly from suppliers. They provide a means to acquire goods and services at prenegotiated prices that remain in effect for a specified period of time. Standing offers are the preferred method for routine, low-volume supply of commercial off-the-shelf software, microcomputers and equipment for local area networks (LANs).

23.70 Within the limits of delegated authority, user departments and agencies can issue call-ups against a standing offer with a specific supplier, requesting the exact quantities of goods and services they require. Generally, when a call-up is made against a standing offer, there is no further negotiation of price and the supplier is obliged to meet the call-up requirement. To allow for the rapidly changing environment, a supplier is permitted to substitute listed products with improved or upgraded versions, provided they meet or exceed benchmarking requirements and are offered at the same or lower prices.

23.71 There are several different types of standing offer. The national master standing offer (NMSO) is the most common. The NMSOs are arranged by PWGSC to meet common needs of departments and agencies and to provide them with routine supplies. The NMSOs are arranged without requisitions from users. Regional standing offers are also used to satisfy needs within a specific geographic area. Furthermore, there are individual standing offers used to meet the needs of a single department or agency.

Method of supply of microcomputers and products related to local area networks has been established to provide value for money

23.72 Public Works and Government Services Canada has arranged national master standing offers for routine, low-volume purchases of microcomputers and LAN-related products, including desktop and notebook computers and servers. The standing offers are awarded competitively to suppliers that meet technical and benchmarking requirements. In order to qualify, the supplier must also offer a product at a price within a defined range of the average price submitted by other suppliers for products in the same category.

Standing offers are awarded competitively to suppliers that meet technical and benchmarking requirements.

23.73 In general, a user department can issue a call-up for desktop and notebook computers directly to a specific NMSO supplier, up to a maximum of $40,000. The limit for servers is $100,000 per call-up. Information on existing NMSOs is updated regularly on the PWGSC Web site, under its Computer Acquisition Guide. The site is open to public access to encourage competition among suppliers.

23.74 The NMSOs for desktop computers are the most heavily used. On a biweekly basis, PWGSC assesses products and identifies those that offer the lowest cost in each of the desktop categories, based on a combined evaluation of technical merits and price. The products with the lowest evaluated costs are posted on the Department's Web site. To encourage the use of those products, PWGSC raises their call-up limit from $40,000 to $100,000.

23.75 Standing offers are arranged to accommodate routine, low-volume

purchases. To support larger-volume purchases, PWGSC provides user departments and agencies with an option to issue a request for volume discount (RVD) to NMSO suppliers on their listed prices. The RVDs can be used for purchases up to $10 million. They are processed on a competitive basis and are thus an alternative to the traditional competition that involves issuing requests for proposals.

23.76 In our view, the arrangement of standing offers as a method of supply for microcomputers and LAN-related products has merit, and the technical and benchmarking requirements add value to the acquisition process.

Opportunities exist for more cost savings

23.77 Call-ups on an NMSO are intended for low-volume purchases. In exercising a call-up, a department usually purchases the NMSO product at the specified price. That price has been set within a competitive price range but usually at a premium, because of the low purchase volume anticipated. Although the RVD process was available for obtaining volume discounts, most microcomputers and LAN-related products purchased in the last two years were acquired through departments' call-ups.

23.78 We reviewed information from Public Works and Government Services Canada on purchases of microcomputers and LAN-related products in 1998-99 and 1999-2000. We noted that on average, RVD procurements accounted for around 25 percent of about $200 million in total annual acquisitions of those products. The data indicate that call-ups on NMSOs were widely used; they accounted for about 45 percent of purchases of the products. The remaining purchases were made using requests for proposals or through unchallenged advance contract award notices (ACANs). Moreover, about 65 percent of all microcomputer/LAN products that were purchased using standing offers were acquired in the last three months of the fiscal year. An analysis of fourth-quarter data from four sample departments confirmed that low-volume purchases dominate (see Exhibit 23.4). We analyzed a sample of RVD transactions processed by PWGSC in 1999-2000 and found that savings from volume discounts averaged about 17 percent.

23.79 Some users expressed the concern that RVDs may take a long time. However, in a small sample of RVD acquisitions made in 1999-2000, procurement averaged four weeks — a significant advantage over the traditional competitive process using requests for proposals. Other users who had reservations about using RVDs cited their preference for retaining sole control or their concern that PWGSC might lack flexibility.

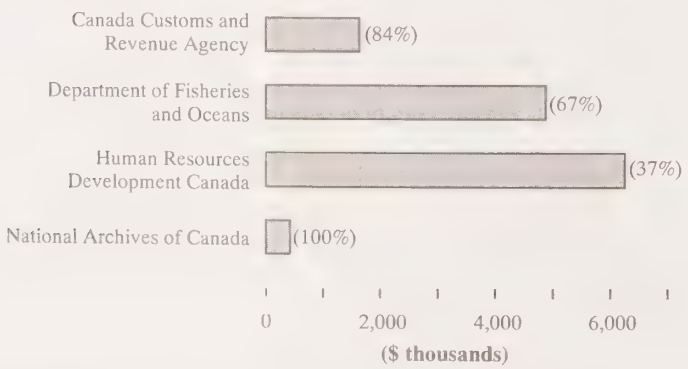
23.80 We recognize that RVD procurement may not always be feasible, and there are occasions when simple call-ups are appropriate and provide the best value. However, increasing the use of

Exhibit 23.4

Low-Volume Purchases Dominate

Analysis of fourth quarter data from four sample departments

(Percentages represent the proportion of purchases that were low-volume)



Source: Departmental data on 1999-2000 acquisitions of microcomputers and local area network products.

RVD procurement could lead to cost savings in the neighbourhood of $10 million every year.

23.81 For expediency, departments and agencies use acquisition cards and local purchase orders for purchases under $5,000. The PWGSC data do not include those purchases, and their extent is not known. In smaller or highly decentralized departments, such purchases can represent a significant portion of the department's total procurement. Some of those purchases could represent another source of cost savings.

23.82 Added savings or faster turnaround times can also be achieved by using other forms of standing offer. Three of the eight user departments that we selected for case review have requisitioned their own standing offers. National individual standing offers (NISOs) are arranged by PWGSC after it receives funded requisitions from a department. That department can then use them throughout Canada.

23.83 The Department of Foreign Affairs and International Trade (DFAIT) used NISOs to address its requirement for maintenance services at missions around the world and to shorten the procurement period. In reviewing its data, we found that by using NISOs, the Department shortened the procurement period for certain acquisitions to two weeks. National Defence achieved up to 39 percent savings with its omnibus NISO, which expired in July 1999. DFAIT had issued six NISOs by August 2000; National Defence was experiencing some delay in replacing the expired omnibus NISO but was continuing its efforts.

23.84 The national master standing offer as a method of supply is well suited to acquiring commodities like desktop and laptop computers. Nevertheless, we believe that additional efforts can be made to ensure value for money.

23.85 Departments and agencies, in co-operation with Public Works and Government Services Canada, should strive to consolidate purchases of microcomputers and LAN-related products to take advantage of opportunities for additional cost savings. Further, Public Works and Government Services Canada and user departments should consider other options to provide enhanced flexibility to meet the government's business needs.

Government's response: We support the recommendation in general.

Standing offer arrangements for commercial software licences and solutions were discontinued as a result of bid challenges

23.86 As well as purchasing microcomputers and LAN-related products, user departments and agencies were using NMSOs to purchase commercial off-the-shelf software products directly from suppliers, subject to the authorized limits. Those limits were $40,000 for software licences and $50,000 for software solutions involving services. Purchases above the limits were processed by PWGSC. In addition to using call-ups, departments and agencies made direct purchases using acquisition cards, local purchase orders and sole-source contracts.

23.87 The NMSO method of supply was established to meet ad hoc needs for limited quantities. It was considered an efficient procurement method and was widely used. During 1998–99, PWGSC processed a total of about $200 million in software purchases, of which about $120 million involved NMSO transactions. In mid-1999, there were 65 NMSOs in effect with software vendors.

23.88 The NMSOs were awarded to software vendors without competition. The criteria, unlike those of NMSOs for microcomputers and LAN-related products, were based solely on previous

Increasing the use of requests for volume discount in procurement could lead to cost savings in the neighbourhood of $10 million every year.

volumes of business and did not involve technical specifications or pricing. Using this and other non-competitive methods of supply, over time departments could build up a substantial investment in certain software products acquired piecemeal and on a non-competitive basis. This could become a significant procurement problem if a department needed to extend the use of the software to the entire department, or when it needed to procure department-wide maintenance services and software upgrades.

23.89 In recent years, potential bidders have successfully challenged the government's solicitation to upgrade existing installed bases of software. After those cases, PWGSC limited the use of the software NMSOs in an attempt to better control software acquisitions and guard against establishing other installed bases of software acquired piecemeal. In August 1997, the Department and the Treasury Board Secretariat introduced an interim measure that limited the use of software NMSOs to the purchase of 10 licences or the addition of 10 users per call-up. In June 1999, PWGSC announced that all 65 of the existing NMSOs would be discontinued by 31 August 1999. (More information about those bid challenges and their ramifications can be found in this chapter under Addressing Bid Challenges and Resolving Disputes.)

The procurement instrument for replacing software standing offers experienced delays and did not provide an adequate solution

23.90 In July 1999, PWGSC released a discussion paper to the government user community and vendors on procurement options for software products and solutions. The paper discussed the Department's strategy for procuring software. It included three classes of software procurement: purchases involving sole-source or limited tendering, purchases using request for proposals, and the transfer of Crown-owned software licences. Within the first class, the Department proposed three options, two of which addressed standing offer arrangements for software. The first was for PWGSC to introduce departmental individual standing offers (DISOs), allowing it to control all software acquisitions. The second option involved negotiating standing offers or supply arrangements, and providing special contracting authorities to user departments and agencies to acquire software, subject to preset terms and conditions that included requirements for reporting.

23.91 PWGSC acknowledged that the second option would be hampered by the difficulty of obtaining appropriate information on all software orders placed by user departments and agencies. In late August 1999, PWGSC began arranging DISOs for software licences as a method to replace the discontinued NMSOs. A framework for procuring software solutions and services would follow. At the time, the Department expected to complete arrangements for software DISOs by the fall of 1999.

23.92 Through open solicitation of vendor interest as well as approaching vendors directly, PWGSC identified 39 software vendors who qualified under criteria that included the value and volume of past sales to the government. It started negotiating with the vendors in September 1999 and awarded the first DISO in December 1999. At June 2000, DISOs had been arranged with 18 of the 39 qualifying vendors. As we concluded the audit in July 2000, the Department had made some progress but some negotiation files were inactive. In late September 2000, PWGSC advised us that 22 DISOs had been established. It indicated that the delays were due in part to the difficulties experienced in negotiating terms and conditions with vendors.

23.93 During the intervening period, especially between August and December 1999, user departments and agencies were left with no replacement for a ready

procurement instrument for routine low-volume purchases, one that had been used for 60 percent of the government's total software acquisitions. A set of draft operating instructions to support a framework for procurement of software solutions and services was developed and released for consultation in March 2000. As we completed our audit, the framework had not been finalized. The Department informed us that the process was stalled due to some unresolved policy issues that extended beyond procurement.

23.94 With the DISO arrangements, it was envisioned that PWGSC would control all software standing offer call-ups in the government. This would allow it to monitor and analyze the overall demand in the government and to guard against the piecemeal, non-competitive acquisition of installed software bases.

23.95 As PWGSC negotiated software DISOs, it realized the extent of the additional resources it would need to control and administer all call-ups. As a result, the Department obtained approval to delegate call-up authority to departments and agencies. Under that delegated authority, they can issue call-ups for up to $40,000 in software products and $100,000 in software solution services. Before they receive the authority, departments and agencies must accept the terms and conditions set by PWGSC. Among other conditions, PWGSC requires the user department to be accountable for asset management and for any litigation costs resulting from inappropriate use of DISOs. At July 2000, only 13 departments had requested the delegation of authority and accepted the terms and conditions. The 13 departments accounted for about seven percent of total software acquisitions in 1998–99.

23.96 We noted that PWGSC has no plan to monitor user departments' compliance with the conditions. In two of the departments we selected for case review, we found that asset management systems were not fully in place for department-wide purchases and it was not evident that the necessary changes would be initiated or completed soon. Without an effective asset management system, the departments will not have control over the ad hoc acquisition of software. Moreover, we noted that DISO call-ups by PWGSC can be handled by two separate divisions or by regional staff, and there is no co-ordination among them. In our view, the Department has not put in place a method of supply that guards adequately against the future accumulation of an installed software base acquired on a piecemeal basis without competition. This was a key reason for abandoning the software NMSO as a method of supply.

23.97 Software acquisitions have been treated like those of any commodity. In reality, software products are much more than typical goods. The products are not interchangeable and they are upgraded continually. The pricing of software is based on the number of users rather than the number of physical goods. The market is extremely competitive and involves many players.

23.98 More significantly, software products often have far-reaching implications for an organization. They must be integrated with other technology products in order to function. Maintenance and upgrade costs are usually substantial. Software products have a direct impact on users, and the costs associated with changes, such as training needs and lost productivity, are high. Software procurements are more akin to acquiring a relationship that includes a life cycle than to purchasing a readily replaceable commodity. In cases where software products form part of the IT infrastructure or an enterprise-wide installed base, consideration could be given to treating them as large IT projects and subjecting their purchase to the same rigour and discipline. In our view, the government needs to consider a strategy for acquiring software as an IT investment.

In our view, the Department has not put in place a method of supply that guards adequately against the future accumulation of an installed software base acquired on a piecemeal basis, without competition.

23.99 The government should develop a new strategy, specifically targeting software products and services, that mitigates the risk of establishing an installed base of software acquired piecemeal and non-competitively. In particular, consideration should be given to long-term, life-cycle management of software products that form part of a department's technology infrastructure or a department-wide installed base.

Government's response: We support the recommendation, with the caveat indicated by several departments that the severity and urgency in addressing software procurement is understated. Software is a strategic investment and needs to be managed as such, regardless of the way it was acquired. We will work with PWGSC and other stakeholders to evolve a framework that addresses software procurement issues and recognizes the differences between realistic business opportunities to replace installed software and other situations in which renewal by means of acquiring additional licences or upgrades is the only feasible option.

Complying With Delegated Authority

Our review found no indication of widespread non-compliance with or misuse of delegated authority.

23.100 Authority to enter into contracts has been delegated to departments and agencies through Acts and regulations as well as Treasury Board directives. Departmental contracts with values above the delegated limits have to be processed by PWGSC and may require Treasury Board approval. Notwithstanding the delegation of their authority, ministers remain accountable for procurement decisions and the outcomes.

23.101 The delegated limits for goods and for services are different. They also vary with the way the goods or services are acquired. In general, contracts let using MERX, an open electronic bidding system, have a higher delegated limit. The general limit on authority delegated to departments for acquiring goods is $5,000. PWGSC, the contracting authority for all goods, delegated this authority to departments and agencies. Under specific methods of supply, other delegated limits apply. The government's contracting policy also provides for special and exceptional limits on contracts, including contracts for emergency situations.

23.102 For this audit, we selected a small sample of acquisitions to assess compliance with the delegated authority and with the requirement to use competitive tenders, where applicable.

23.103 We selected the acquisitions from those made by the eight departments and agencies in our audit sample. They represent a cross-section of government organizations with large, moderate and small IT budgets. Their IT spending averaged about $1.4 billion or 60 percent of the government's total IT expenditures in the past four years. The sample of about 80 purchased items was selected from the departments' accounting or procurement records and included 1999-2000 acquisitions of services, hardware and software.

23.104 Aside from a few minor deviations, we found no misuse of the authority delegated to the eight departments and agencies. The small sample was designed only as a test to determine if further analysis and review by the government would be warranted. It was not intended to provide a statistical conclusion on government-wide compliance with delegated authority. Our review found no indication of widespread non-compliance with or misuse of delegated authority.

Addressing Bid Challenges and Resolving Disputes

23.105 The government's contracting policy makes direct reference to trade agreements and the requirement to comply with them. In general, under the *North*

American Free Trade Agreement and the *World Trade Organization–Agreement on Government Procurement*, suppliers from countries that are signatories to those agreements are to be given an equal opportunity to compete with Canadian suppliers for contracts involving defined classes of goods and services. Similarly, to comply with the *Agreement on Internal Trade*, the government is obligated to grant all Canadian suppliers equal access to contracts for certain goods and services.

23.106 Public Works and Government Services Canada specifies integrity as the governing principle for its supply activities. Its Supply Manual states, "PWGSC supply activities will be open, fair and honest." The Department facilitates open access to information on the government's procurement activities through its Contracts Canada initiative. The initiative supports supplier awareness and registration and provides historical information on contracting. It provides an overview of the government's processes for making purchases and resolving disputes. For example, it describes MERX, the government's electronic open bidding system, and the Contract Claims Resolution Board, a departmental process to resolve disputes with contractors. Its Contracts History database provides public access to data on contracting back to April 1997. It also provides information on the trade agreements and the Canadian International Trade Tribunal.

Few contracts have been challenged

23.107 The trade agreements require that the government maintain an independent authority to consider complaints from potential suppliers about designated contracts. The Canadian International Trade Tribunal (CITT), an administrative tribunal, has been established as that authority. Potential suppliers can file a complaint with the Tribunal against a contract that is designated under the trade agreements. Exhibit 23.5 shows the key activities in a contract challenge and their associated timeframe. Suppliers may also take the dispute directly to the Federal Court of Canada for a judicial review.

23.108 We analyzed CITT data on challenges to technology contracts over the five years ended at December 1999. The Tribunal received a total of 43 complaints in that period, 24 of which reached the inquiry stage. Those 24 cases represent less than 0.5 percent of the total value of contracts that the government awarded each year for IT goods and services. Exhibit 23.6 shows the total volume of complaints and those involving IT contracts from 1995 to 1999.

Tribunal cases that reached the inquiry stage over the past five years represent less than 0.5 percent of the total value of contracts that the government awarded each year for information technology goods and services.

Several key cases involved procurement of software licences

23.109 We reviewed the Tribunal's determinations of technology-related complaints over the five-year period. We noted that many complaints were dismissed before reaching the inquiry phase because they were outside the jurisdiction of the CITT, since the challenged procurement was not covered by the trade agreements. Most complaints dealt with circumstances that were specific to the contracts being challenged. However, we found that several key cases from 1997 to 1999 involved similar issues, all related to the procurement of software licences.

23.110 We examined the CITT's determinations in four such cases. In each case, the user department was acquiring additional licences or upgrades for software already implemented in its information systems. Three were sole-source contracts under the international trade agreements provisions on limited tendering; the fourth contract used open competition.

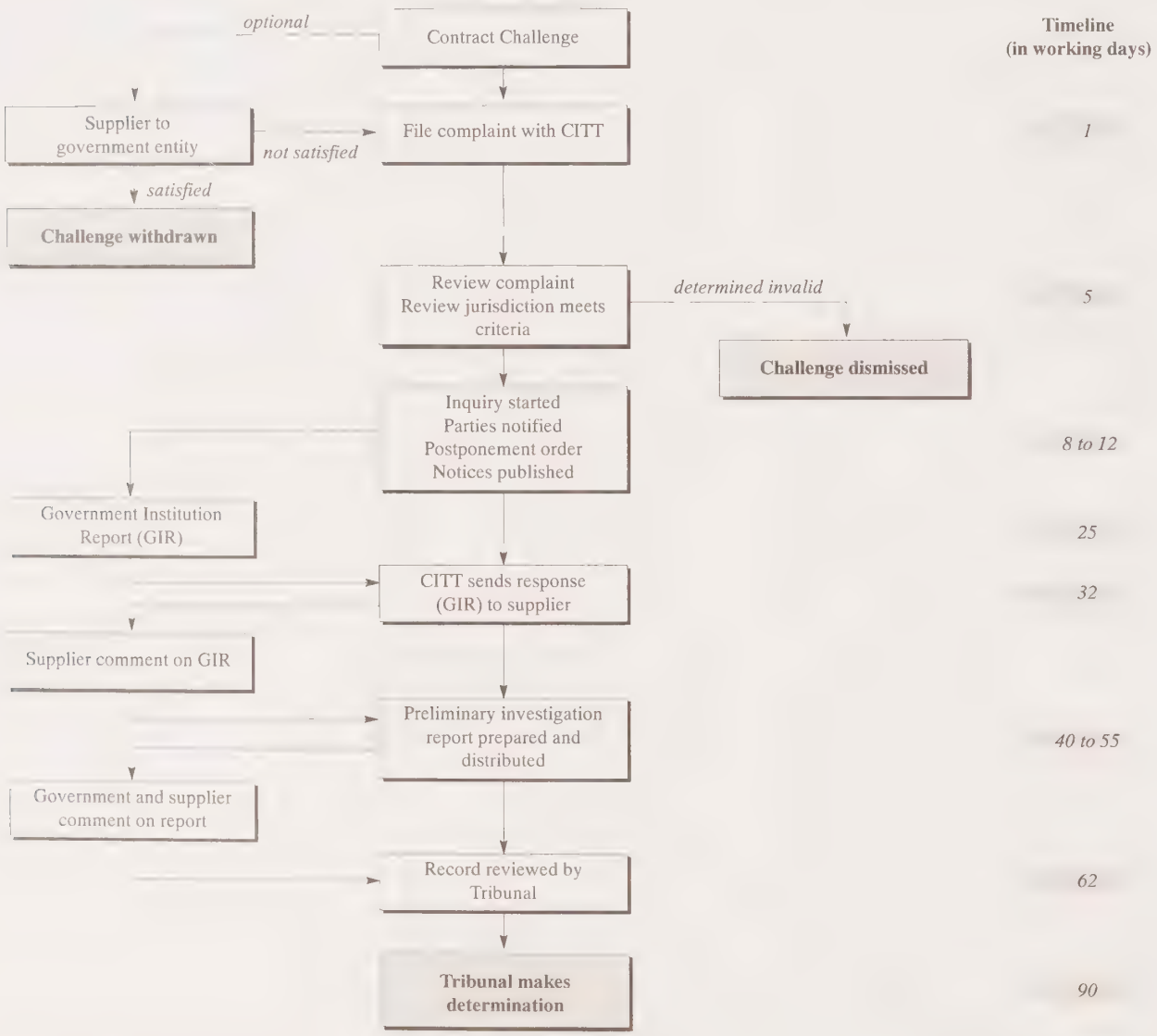
23.111 The international trade agreements place a restriction on limited tendering to prevent it from being used to avoid the maximum possible competition, to discriminate among suppliers, or to protect domestic suppliers. Limited

tendering can be used only under certain circumstances and conditions, as defined by the trade agreements. The Tribunal has determined that if a sole-source contract is challenged, the onus is on the government to prove that limited tendering was justified.

23.112 In the three cases involving sole-source contracts, the CITT found that the government could not prove it had met the conditions for limited tendering. Consequently, the Tribunal determined that an open, competitive procurement process should have been used. Moreover, in one of the three cases, the Tribunal determined that PWGSC could not impute the cost of converting the installed software as a basis for awarding a sole-source contract. The Tribunal stated

Exhibit 23.5

The Contract Challenge Process at the Canadian International Trade Tribunal



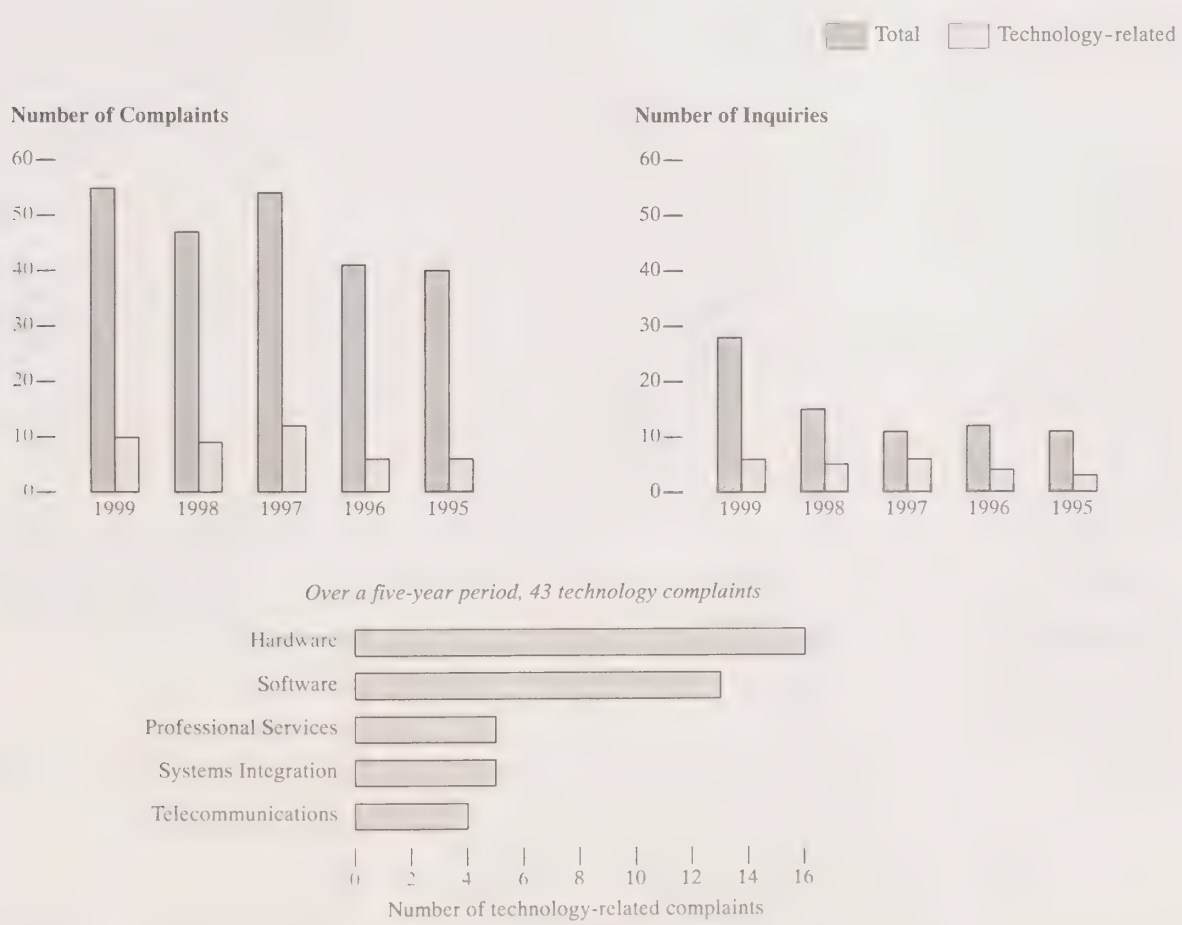
Source: Canadian International Trade Tribunal (CITT)

that conversion and training costs ought to be determined through an open competition.

23.113 The fourth case involved an open competition for a department-wide software licence to upgrade or replace the software installed in that department — software that had been acquired without competition. As part of the process, the government had provided information to potential bidders so they could estimate the level of effort and the costs involved in converting the existing installed base to the use of their products. The CITT determined that the government had provided insufficient information for potential suppliers to be able to include a proper estimate of conversion costs in their proposals and had thereby biased the procurement in favour of the incumbent supplier. In evaluating the bids, the government had also allowed for discounting conversion costs to help restore competition. However, the Tribunal was not convinced that this was adequate to restore competition when the installed base had not been acquired in accordance with the trade agreements.

Exhibit 23.6

Complaints Filed With the Canadian International Trade Tribunal, 1995 to 1999



Source: Canadian International Trade Tribunal

The cases have significant implications for the government

23.114 In the one case we examined that used a competitive process, the existing software in the department had been acquired using a series of call-ups against the national master standing offer with the same supplier over several years.

We found that the purchases in 1999–2000 were almost exclusively non-competitive.

23.115 As noted in paragraph 23.89, PWGSC modified the call-up limits and subsequently discontinued all NMSOs for software licences to avoid the future development of an installed base of software products acquired piecemeal and non-competitively. However, this type of installed software base potentially exists in other departments.

23.116 We analyzed data in the Contracts Canada database for the past three fiscal years to assess the extent to which software licences had been acquired piecemeal and non-competitively. Our analysis of nine major software vendors showed that a large majority of software purchases from April 1997 to March 2000 were non-competitive. We found that the purchases in 1999–2000 were almost exclusively non-competitive; this represents well over 95 percent of the total purchases from those nine vendors. Moreover we found that since April 1997, only one user department has acquired its installed base of enterprise-wide office automation software on a competitive basis.

Although we did not specifically verify the information, representatives of user departments and the IT community expressed concern that the preoccupation with avoiding complaints to the Tribunal has led to excessive caution in the procurement process.

23.117 The trade agreements permit the use of limited tendering to upgrade software or purchase additional licences only if certain narrowly defined conditions are met. Those conditions cover software products that were initially procured under the provisions of the trade agreements. Thus, the use of sole-source contracts for a department-wide upgrade of a software product, or for acquiring additional licences to extend the use of a software product to the entire department, can be vulnerable to CITT complaints from potential bidders. A competitive process for that type of software procurement is complex and involves many issues, including defining and evaluating conversion costs. In our view, acquiring additional licences or upgrading software for use across a department continues to be a challenge for the government.

23.118 The government should develop a strategy to address the implications of installed bases of software acquired piecemeal and non-competitively and, in particular, address the issue of conversion costs for infrastructure and enterprise-wide software products.

Government's response: *We support the recommendation, with the caveat indicated by several departments that the severity and urgency in addressing software procurement is understated. We will work with PWGSC and other stakeholders to evolve a framework that addresses software procurement issues.*

23.119 The recent CITT cases are well known within the government IT procurement community. Many government officials we interviewed regard the Tribunal determinations and the prospect of facing CITT complaints with apprehension. Once the Tribunal accepts a challenge to a contract, the government is required to furnish a Government Institution Report within 25 days (see Exhibit 23.5). This involves both PWGSC and the user department, and the level of effort required to prepare the Report is viewed by them as intensive and laborious. Although not specifically verified by us, representatives of user departments and the IT community expressed concern that the preoccupation with avoiding complaints to the CITT has led to excessive caution in the procurement process, adding to an already long and complex acquisition phase.

23.120 The Tribunal is the Canadian mechanism for meeting obligations under the trade agreements. It fosters open competition in government procurement. As an appeal mechanism, it ought to be viewed as an essential part of the overall

framework of government procurement and not as something to be avoided at all costs.

23.121 Under the Government Contracts Regulations and the trade agreements, open competition subject to exclusions is the norm for government contracting. Where exclusions are used, contracting ought to be subject to appropriate scrutiny to ensure compliance with legislation. It is important that user departments and agencies guard against the possibility of favouring a particular vendor and the solution it offers. Experience shows that a bias can arise from early experimentation with specific sets of tools or from premature determination of department-wide standards. Involving PWGSC early in the procurement cycle could help to ensure and support open competition.

23.122 Determinations rendered by the CITT provide an interpretation of provisions contained in the trade agreements. In some instances, the circumstances surrounding a case and the resulting determination are complex and are subject to varying interpretations, particularly by those not accustomed to reading them. In light of recent CITT determinations, PWGSC has been developing a software procurement strategy to address the issues (see paragraph 23.90). However, there has been no explicit guidance to its procurement staff on the effect of those cases in applying day-to-day operating procedures. If intense scrutiny were to be applied indiscriminately at a detailed procedural level, it could become unmanageable and counterproductive, especially given the rapid pace of technological change, the aggressiveness of the marketplace, and evolving business needs. During the audit, representatives from user departments indicated that since the promulgation of recent CITT determinations, PWGSC supply activities have generally become lengthier and less flexible and have not adequately respected their operational needs.

23.123 Compliance with government regulations and trade agreements ought to be observed at all times. Meeting operational requirements and respecting competition are both important and ought to be given due consideration in all acquisition activities. Meeting operational requirements is the raison d'être of acquisition activities. Once the business needs have been identified, the principle of open competition needs to be respected. Fostering competition through operational and control procedures and meeting operational requirements are not mutually exclusive. It is important to meet operational requirements in a timely fashion with due regard to value for money while also respecting the principle of open competition.

23.124 In acquiring information technology goods and services, departments and agencies should place greater emphasis on open competition as soon as is practical after identifying their business needs. They should seek the advice of Public Works and Government Services Canada as early as possible to develop an appropriate procurement strategy. Public Works and Government Services Canada should work with user departments and agencies to improve its supply activities, in order to ensure the pre-eminence of operational requirements with due regard to value for money, and to ensure adherence to the principle of open competition by complying with regulations and the trade agreements.

Government's response: *We support the recommendation. We agree that a procurement strategy should be an integral part of any business and operational strategy and that operational imperatives, as a matter of contracting policy, need to be reinforced as a fundamental underlying objective of procurement.*

Looking Ahead to Government On-Line

23.125 The 1997 Speech from the Throne noted the need to connect Canadians in order to support a knowledge economy. The Speech from the Throne in fall 1999 went further, setting the goal of being known around the world by 2004 as the government most connected to its citizens. In early 2000, the government laid out its strategy for Government On-Line (GOL), an initiative to make the government a model user of Internet technology by 2004.

23.126 The GOL initiative is unprecedented in its scope. Like the Year 2000 computer problem, GOL imposes a common deadline on all major departments and agencies and affects all programs and operations. But it is much more far-reaching, because it deals with business re-engineering and may involve the integration of services within and outside the government.

The Government On-Line initiative underscores the importance and the urgency of resolving the issues.

23.127 To meet this challenge, government procurement activities need to work on acquiring the necessary IT goods and services on a timely basis to support on-line access by the public and interaction with it by 2004. The GOL initiative underscores the importance and the urgency of resolving the issues we have identified in this chapter.

Conclusion

23.128 Our data analysis showed that the government has made significant acquisitions of information technology (IT) goods and services. Over time, IT expenditures have increased both in total and as a proportion of the government's operating expenditures. Spending on IT will increase as large development projects that were deferred because of Year 2000 remediation are continued and the new Government On-Line (GOL) initiative is carried out.

23.129 We found that recent acquisitions for large IT projects followed some essential elements of the new procurement approach and project management framework. Although the new systems have yet to be fully developed and deployed, results to date are encouraging. We noted, however, that the time span of procurement activities is still long.

23.130 The GOL target date is just three years away. If procurement activities for large projects continue to take 18 months or more, user departments and vendors will be left with less than 18 months to develop and implement IT solutions to support GOL. Aspects of the Year 2000 omnibus contract could benefit future IT acquisitions, but certain issues would need to be addressed to ensure that the resulting procurement instrument would obtain the best value for money spent.

23.131 We noted that several recent determinations by the Canadian International Trade Tribunal (CITT) have had a profound effect on government procurement activities. A long-standing method of supply for software licences and software solution services was modified and then discontinued, and a replacement method is still being developed. There are also unresolved issues concerning installed bases of software that exist in many departments. Furthermore, representatives from user departments indicated that the government has subjected all procurement activities to intense scrutiny to avoid the filing of possible complaints with the CITT, resulting in additional time and effort for an already long and complex procurement process.

23.132 These issues need to be resolved as soon as possible to adequately meet government contracting objectives and to pave the way for developing and implementing the information systems and technology infrastructure needed to put the government on-line by 2004.

About the Audit

Objective and Scope

The objective of this audit was to assess the extent to which information technology (IT) acquisitions in government meet policy objectives while paying due regard to efficiency and economy.

The audit covered procurement activities for large IT projects and routine supply of microcomputers, equipment for local area networks, and software, starting with the needs identification phase and ending with the contract award and any related challenges. We did not include activities such as accepting delivery of the goods and services and developing and implementing the IT solutions.

We analyzed IT expenditures since 1995-96, and interviewed officials and staff of the Treasury Board Secretariat, Public Works and Government Services Canada, the Canadian International Trade Tribunal and a cross-section of user departments and agencies. We met officials in the Secretariat to discuss its policy role and its initiative to reform procurement activities and make them more responsive to the government's business needs. We also reviewed a number of acquisition cases in the eight user departments selected for our audit.

The selection of user departments and agencies provided a portfolio of entities with varying levels of IT expenditures. They are as follows:

- National Defence;
- Canada Customs and Revenue Agency;
- Human Resources Development Canada;
- Department of Foreign Affairs and International Trade;
- Fisheries and Oceans;
- Correctional Service Canada;
- Registry of the Federal Court of Canada; and
- National Archives of Canada.

Criteria

The following general criteria were used in the audit:

- The acquisition of IT goods and services in the federal government should be responsive to the government's business needs while paying due regard to efficiency and economy. Acquisitions should meet other contracting policy objectives such as respecting the principles of competitiveness, fairness and transparency.
- Large and complex IT solutions should be acquired to achieve best value by using procurement methods that encompass essential elements of established frameworks such as Benefits Driven Procurement and the Enhanced Management Framework.

- Procurement methods and tools should be developed and used to ensure best value in the routine supply of microcomputers, network components, commercial off-the-shelf software and IT services.
- Government-wide licences should be acquired to provide common IT solutions at best value while supporting competitiveness.
- The government should have initiatives in place to heighten awareness of IT purchasing opportunities and available procurement vehicles for providing best value and promoting accessibility.
- The delegation of authority to departments and agencies to acquire IT goods and services should be appropriate and documented, and properly complied with.
- IT goods and services should be acquired in accordance with trade agreements, and challenges should be properly addressed.

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Report of the Auditor General of Canada to the House of Commons – 2000

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